



Regulator of
Social Housing

Annex 1: Guidance on the regulator's approach to intervention, enforcement and use of powers

December 2019



Contents

This contents page shows the order in which individual guidance notes for certain specific powers appear in this document. All references to ‘Act sections’ or ‘the Act’ are references to the Housing and Regeneration Act 2008, unless otherwise stated.

Approach to intervention and enforcement	3
Introduction.....	3
Approach to use of powers	4
Principles underpinning the approach: what registered providers can expect	5
How the regulator will engage with registered providers	6
Factors that may lead to the use of powers.....	7
Checks and balances on the use of our powers.....	8
Duty to minimise interference.....	8
Regulators’ Code	8
Consideration before exercising a power	8
Voluntary undertakings	9
Guidance Note 1.....	10
Guidance on section 95(3): financial assistance	10
Guidance Note 2.....	11
Guidance on giving a Direction to the GLA or Homes England	11
Guidance Note 3.....	13
Guidance on sections 107 and 108: information	13
Guidance Note 4.....	17
Guidance on sections 144 to 159: insolvency etc. and the Housing Administration Order powers introduced by the Housing and Planning Act 2016.....	17
Guidance Note 5.....	32
Guidance on section 167: transfer of property	32
Guidance Note 6.....	34
Guidance on sections 199 to 200: survey	34
Guidance Note 7.....	37
Guidance on sections 201 to 203: inspection.....	37
Guidance Note 8.....	42
Guidance on sections 206 to 209: inquiry	42
Guidance on section 210: extraordinary audit.....	42

Guidance on the regulator’s approach to intervention, enforcement and use of powers

Guidance Note 9.....	56
Guidance on sections 219 to 225: enforcement notices.....	56
Guidance Note 10.....	59
Guidance on sections 226 to 235: penalties	59
Guidance Note 11.....	62
Guidance on sections 236 to 245: compensation	62
Guidance Note 12.....	65
Guidance on sections 251 to 252: appointment of manager	65
Guidance Note 13.....	68
Guidance on sections 253 and 254: transfer of land	68
Guidance Note 14.....	72
Guidance on section 255: amalgamation of a Registered Society	72
Guidance Note 15.....	75
Guidance on sections 256 to 265: powers available during or following an inquiry	75
Guidance Note 16.....	80
Guidance on sections 266 to 268: removal of officers.....	80
Guidance Note 17.....	82
Guidance on section 269: appointment of new officers	82
Guidance Note 18.....	88
Guidance on sections 247, 248 & 250A: management tender	88
Guidance Note 19.....	100
Guidance on sections 249, 250 & 250A.....	100
Guidance Note 20.....	110
Guidance on section 252A.....	110
Guidance Note 21.....	117
Guidance on sections 269A & 269B	117

This document includes intentional tracked changes as a result of the consultation.

Approach to intervention and enforcement

Introduction

1. The regulator expects registered providers to identify problems and take effective action to resolve them. If a registered provider takes responsibility for self-improvement and we conclude that it has the capacity and capability to respond to the problems, we will work with it to achieve the necessary corrective actions. However, in circumstances where self-improvement has not succeeded, or where a registered provider is unable or unwilling to respond positively, or where the regulator concludes that such an approach is not appropriate (for instance, where urgent action is necessary or there is an immediate and significant risk of serious detriment to a registered provider's tenants in relation to consumer matters), we may need to consider the use of our regulatory, enforcement and general powers.
2. This document sets out our general approach to intervention and enforcement. It presents the high level objectives and principles underpinning our approach to dealing with poor performance. The guidance notes 1-21 attached set out further detail and information about how the regulator uses, and intends to use, its statutory regulatory and enforcement powers and also certain of its general powers. These guidance notes should be read in conjunction with this section.
3. The regulator uses the term private registered provider (PRP) to refer to not-for-profit and for-profit organisations. The term registered provider encompasses both PRP and local authority registered providers (LARP). We do not regulate LARP against the economic standards as they are not applicable to them¹. All registered providers are subject to the consumer standards and are regulated in line with our published approach.
4. Previous versions of this guidance referred to the Homes and Communities Agency or Homes England. We have used Homes England, which is the current trading name of Homes England, throughout the guidance notes.
5. In these guidance notes the Greater London Authority will be referred to as the GLA.
6. In the event of any conflict between the guidance notes and the legislation, the legislation will prevail.

¹ The Rent Standard will apply to LARPs from April 2020

Approach to use of powers

7. The Housing and Regeneration Act 2008 (the 2008 Act) sets out the regulator's economic and consumer regulation objectives. The thresholds set for the use of regulatory and enforcement powers under the economic standards mean that we can exercise those powers where we suspect or have evidence of a failure by a PRP against an economic standard, or where the PRP has mismanaged its affairs. Additionally, we may exercise a regulatory power where there is a risk that if no action is taken by a PRP or the regulator, the PRP will fail to meet an economic standard.
8. The threshold for intervention by the regulator is significantly higher in relation to consumer standards because of the serious detriment test. Failure to meet one or more of the consumer standards by a registered provider does not in itself lead directly to a judgement of serious detriment. However, we may consider whether evidence of failures on consumer standards calls into question a PRP's capacity to meet the governance requirements of the economic standards.
9. The regulator's approach to the use of powers is underpinned by five key components: the economic regulation objectives, the consumer regulation objectives, the statutory duty to minimise interference, the standards and any specific requirements set out in the 2008 Act.
10. We may consider the use of our regulatory powers to investigate where we suspect there may have been a failure to meet the economic standards or that the affairs of a PRP have been mismanaged. Where there is a potential failure in relation to consumer standards by a registered provider, we may seek information in order to inform any investigation. In such circumstances, it may be necessary to use regulatory powers to investigate where there:
 - are reasonable grounds to suspect a failure to meet a consumer standard has resulted in serious detriment to the provider's tenants or potential tenants
 - is a significant risk that, if no action is taken by the regulator, a failure to meet a consumer standard will result in serious detriment to the provider's tenants or potential tenants; or
 - is a risk that if no action is taken by the provider or by the regulator, the provider will fail to meet a consumer standard and cause a serious detriment to tenants or potential tenants.
11. When such investigations have been completed, we consider whether further action is necessary and, if it is, what action is most appropriate to the particular circumstances of the case. This may include the use of enforcement powers.
12. The regulator is not required to use its regulatory powers before exercising its enforcement powers. However, our general approach is to apply the most appropriate and least intrusive power available, taking into account proportionality, the statutory duty to minimise interference and the seriousness of the issue under consideration.
13. We will keep the use of our powers under regular review and may decide to exercise them if the circumstances of the case make it necessary to do so. We may use our powers either singly or in combination, depending on the circumstances of the case.

Principles underpinning the approach: what registered providers can expect

14. Registered providers can expect the regulator to apply the following principles in relation to intervention and enforcement. We will:
- consider any proposals for self-improvement made by the registered provider before using its powers, but in cases where this is either not appropriate, for example, where it is necessary to protect tenants from immediate harm or to protect public funds, or has not been successful, the regulator will consider how best to address the issue
 - adopt a graduated approach to the use of enforcement powers where possible, but given the high threshold for intervention in relation to consumer standards, the materiality of the problem may mean the regulator cannot do so. In these circumstances, the regulator will aim to use the least intrusive powers that are appropriate, but the provider is likely to be subject to one or more enforcement powers with little or no advance warning
 - have regard to the economic regulation and consumer regulation objectives when considering any individual case and will seek to balance the interests of the registered provider, its tenants, its key stakeholders and the impact on public funds when responding to the circumstances of each individual case
 - be proportionate and consistent in making judgements, accountable for its actions, and transparent in relationships with the registered provider, its tenants and other stakeholders, but there may be occasions where the circumstances of the case will limit how transparent the regulator can be with third parties
 - explain the grounds and give reasons for taking action, and will usually give notice of any action – in some cases this is a requirement of the 2008 Act – unless to do so would undermine the regulator's ability to act
 - assess the most appropriate course of action taking account of the particular circumstances of the registered provider, the level of risk and the potential impact associated with the registered provider, tailor the regulatory engagement accordingly and always take action which is commensurate with the materiality of the breach or failure
 - give careful consideration to any remedial strategies proposed by the registered provider, including any relevant voluntary undertakings, and seek to agree the way forward with the registered provider when it is prepared to resolve the presenting issues and the regulator concludes that it has the capacity, the capability and all the resources necessary to do so
 - take account of any significant changes in circumstances and adapt the approach accordingly.

Guidance on the regulator's approach to intervention, enforcement and use of powers

15. The regulator may need to react and respond as a matter of urgency to unanticipated and exceptional events. In circumstances where it is expedient to do so, we may adjust the intensity of our engagement with a registered provider, or exercise one or more of our powers with little or no notice, particularly in circumstances where giving notice would defeat the purpose of taking the proposed action or where it is necessary to protect tenants from immediate harm or to protect public funds.

How the regulator will engage with registered providers

16. We will seek to be transparent in our relationship with a registered provider when considering the use of our powers. The use of some powers requires us to follow detailed procedures which are specified in the 2008 Act. While we will always follow these procedures, our approach must have regard to the circumstances of the case, particularly where we conclude that urgent or immediate action is necessary and have to use our powers with little or no notice. As far as practicable the regulator will apply the following principles when considering the use of powers. We will:
 - have dialogue with the registered provider before, during and following the process in accordance with the regulator's usual approach to regulatory engagement in order to protect tenants, social housing assets and public funding. This includes informing a registered provider when the regulator is minded to use a power, explaining the issues and concerns and giving the provider an opportunity to respond
 - give notice to a registered provider when proposing to use a power. The regulator will explain the power and the issues or concerns that have led to the possibility of using it
 - invite the registered provider to make representations in response to the notice within a reasonable timescale, and to give the regulator any information or comments, including any relevant voluntary undertaking, it thinks might help make the decision about whether or not to use the power
 - carefully consider any representations, information and comments, including any relevant voluntary undertakings received from the registered provider in coming to a decision about the action the regulator intends to take
 - notify the registered provider of the decision and give reasons for making it
 - inform registered providers about the protocol that the regulator has developed that allows a provider to appeal against decisions on the use of some of our powers. Additionally, the guidance notes set out details of those powers where statutory appeals processes are specified in the 2008 Act.

Factors that may lead to the use of powers

17. In broad terms, any decision will be based on:

- the seriousness of the failure or problem identified, including harm or potential harm to tenants
- the urgency with which the problem or failure needs to be addressed
- the level of risk associated with the registered provider and the potential impact of its failure
- the degree of assurance given by the registered provider to the regulator in relation to the action it is taking or will take to resolve the issue. The regulator may take into account the registered providers history in dealing with relevant issues
- the resources available to the registered provider to resolve the problems
- proportionate use of resources that need to be applied to the regulator's regulatory engagement with the provider.

18. In order to bring about improvements, the regulator may propose an action plan setting out the key corrective actions it requires the registered provider to take and the milestones and timetable in which they should be achieved. In such circumstances, we will work with the registered provider to agree how best to implement the plan and will carefully consider any remedial plan submitted by the registered provider including any voluntary undertaking it offers. When we are satisfied that the key corrective actions have been completed, we will notify the registered provider. Given the high threshold for intervention in relation to the consumer standards, the materiality of the problem may provide grounds for the regulator not to follow a self-improvement approach.

19. The regulator's aims will always be underpinned by its economic regulation and consumer regulation objectives and the standards. The regulator's specific objectives may vary from case to case or change during the course of a case, but broadly speaking we would want to:

- address and resolve the presenting problems and any related or contributory problems
- maintain the financial viability of PRPs and require the PRP to meet acceptable standards of organisational effectiveness
- act as a catalyst for change within the registered provider and ensure that any improvements in performance are sustained in the long term
- protect public expenditure and guard against the misuse of public funds
- reassure lenders and encourage investment in social housing
- protect the interests of tenants

Guidance on the regulator's approach to intervention, enforcement and use of powers

- protect the reputation of providers of social housing as a whole
- address and seek to resolve any additional relevant and material matters that come to light while a registered provider is subject to regulatory, enforcement or general powers, particularly in relation to governance issues, where applicable
- where necessary, co-ordinate the approach with other regulatory bodies.

Checks and balances on the use of our powers

20. There are a number of checks and balances which must be applied to the use of powers.

Duty to minimise interference

21. The regulator has a duty under the 2008 Act to exercise its functions in a way that minimises interference and (so far as is possible) is proportionate, consistent, transparent and accountable. These requirements overlay how the regulator carries out all its functions.

Regulators' Code

22. The regulator must also comply with the Regulators' Code². The code does not apply to the exercise by a regulator of any specific regulatory function in individual cases. The regulator must have regard to the Code when developing policies and procedures that guide our regulatory activities.

Consideration before exercising a power

23. The regulator must consider some specific matters before exercising an enforcement power:
- the desirability of a registered provider being free to choose how to provide services and conduct business
 - the speed with which the failure or other problem needs to be addressed and, before exercising an enforcement power in relation to economic standards:
 - whether the failure or other problem is serious or trivial
 - whether the failure or other problem is a recurrent or isolated incident.

² The Regulators' Code came into statutory effect on 6 April 2014 under the Legislative and Regulatory Reform Act 2006, replacing the Regulators' Compliance Code.

Voluntary undertakings

24. A registered provider can give the regulator a voluntary undertaking in respect of any matter concerning social housing³. The circumstances in which such a voluntary undertaking can be given are widely drawn, for example, a provider may offer a voluntary undertaking while subject to regulatory, enforcement or general powers. In exercising some powers, the regulator must have regard to any voluntary undertaking offered or given by a provider.
25. The regulator may take into account whether a sufficient voluntary undertaking has been offered and honoured. In considering a voluntary undertaking, the regulator will:
 - assess whether or not the terms of a voluntary undertaking are satisfactory, giving reasons for the decision
 - monitor the provider's progress towards meeting its voluntary undertaking and assess whether the provider has honoured the voluntary undertaking, giving reasons for the decision.
26. Although giving a voluntary undertaking will always be a matter for the registered provider, the regulator will respond in the event a provider asks whether a voluntary undertaking would address matters that have necessitated enhanced scrutiny by the regulator.
27. While the regulator must have regard to any voluntary undertaking offered or given by a registered provider, there may be circumstances where the existence of a voluntary undertaking may not prevent further enforcement activity. This might include circumstances in which the regulator considers that the voluntary undertaking is unsatisfactory or insufficient to resolve the problems or where urgent or immediate action is necessary.

³ Section 125 of the Housing and Regeneration Act 2008

Guidance Note 1

Guidance on section 95(3): financial assistance

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power relating to the provision of financial assistance to a PRP. This is a general power and is set out in Chapter 2 and section 95(3) of the 2008 Act. It may be exercised in relation to non-profit or for-profit PRPs but not local authority providers.

Background and context to the use of power

- 2 A PRP is expected to manage its business affairs to ensure that it remains viable in the short, medium and long terms. It should take appropriate steps to ensure that it has access to the finance necessary to meet its ongoing commitments. The regulator is not a funding body and does not hold budgets to enable it to act as one. Its powers to provide financial assistance are ancillary to its main powers, and the regulator considers that it would only propose their use in exceptional circumstances.

The power

The circumstances in which the power can be exercised

- 3 The power can be exercised where the regulator thinks it advances one or more of the economic regulatory objectives set out in the Act. It is restricted by the fact that financial assistance can only be given with the consent of the Secretary of State (SoS), which in turn must have the approval of the Treasury. Financial assistance under this section can be in the form of a loan, a guarantee or an indemnity.
- 4 The regulator envisages seeking consent to use this power only in exceptional circumstances. Examples might be where tenants are in danger of losing their homes or their health and safety is at risk, or where temporary support protects existing public investment while a rescue plan is being developed. The regulator would only consider a case for such support where all other possible avenues for obtaining finance had been exhausted. Any case would have to demonstrate that assistance by the regulator would facilitate a strategy for permanent resolution of the underlying problem, and financial plans would have to make provision for repayment of any loan or recovery of a guarantee or indemnity given by the regulator.

Consultation

- 5 Apart from the need to obtain the necessary consents, the 2008 Act does not require the regulator to consult relevant persons in exercising this power. However, depending on the particular circumstances of the case, the regulator is committed to any consultation that is necessary with relevant stakeholders such as lenders and local authorities.

Guidance Note 2

Guidance on giving a Direction to the GLA or Homes England

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise its powers to direct the GLA and/or Homes England not to give financial assistance in connection with social housing to a specified registered provider of social housing. These powers are set out in the Greater London Authority Act 1999 section 333ZG and the 2008 Act, section 100G.

Potential triggers to the exercise of the power

- 2 Both the Greater London Authority Act 1999 section 333ZG(2), and section 100G of the 2008 Act set out three specific circumstances in which the regulator may exercise the power to direct the GLA and/or Homes England not to give financial assistance in connection with social housing to a specified registered provider. They are where:
 - the regulator has decided to hold an inquiry into the affairs of the registered provider under section 206 of the 2008 Act, and the inquiry has not been concluded
 - the regulator has received notice in respect of the PRP under section 145 of the 2008 Act (the moratorium powers)
 - the regulator has appointed an officer of the non-profit PRP under section 269 of the 2008 Act and the person has not vacated office.
- 3 In circumstances where one or more of the actions that might trigger a Direction have taken place, the regulator will assess the most appropriate course of action and in particular, whether it is appropriate to issue such a Direction to the GLA/Homes England. If there is a risk to the public funding that the GLA/Homes England has committed to the registered provider previously, or may commit to the registered provider in the future, the regulator may issue a Direction.
- 4 The regulator would not normally issue a Direction in relation to projects where the GLA/Homes England has issued a grant confirmation and the registered provider has entered a contractual commitment in reliance on that confirmation. The regulator will take account of the potential impact of a Direction on the affected registered provider's financial viability and on its services to its tenants.

Scope

- 5 The power may be exercised in relation to:
- all registered providers including a non-profit PRP, a for-profit PRP or an local authority provider where an inquiry under section 206 of the 2008 Act is the trigger
 - PRP, where a notice under section 145 of the 2008 Act is the trigger
 - a non-profit PRP where the appointment of a new officer under section 269 of the 2008 Act is the trigger.

The Direction

- 6 A Direction may prohibit the GLA and/or Homes England from giving assistance of a specified kind. However, a Direction may not prohibit grants to a registered provider where these are payable by the GLA/Homes England in respect of statutory discounts given by the provider on disposals of dwellings to tenants. The regulator will review the need for any Direction on a regular basis, but it will remain in effect until the regulator has notified the GLA/Homes England that it has been withdrawn.
- 7 The regulator will inform the affected registered provider and the GLA/Homes England of the reasons for a Direction.

Guidance Note 3

Guidance on sections 107 and 108: information

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power on the collection of information and documents. This is a general power and is set out in Chapter 2, sections 107 and 108, of the 2008 Act. It may be exercised in relation to all registered providers.

Scope

- 2 The power may be exercised in relation to all providers, including a non-profit PRP, a for-profit PRP and an local authority provider. It may also be exercised in relation to anyone who has applied to become a registered provider.

Background and context to the use of the power

- 3 The regulator needs to collect and hold reliable information so it can undertake its functions. The regulator will use this information to assess compliance with the standards framework. The regulator is committed to minimising the additional burden of its information requirements through the best use of information that is already available. This may include information produced by providers for public reporting or for internal management purposes. The regulator expects providers to produce the information and documents it requires on a regular and timely basis under this general power. However, it may be necessary for the regulator to exercise this power in circumstances where providers are unable or unwilling to provide the documents or information that the regulator requires routinely to carry out its functions, or where it believes that there may have been a breach of the standards. This guidance sets out how the regulator would use the power in those circumstances.

Potential triggers to the exercise of the power

- 4 Sections 107 and 108 of the 2008 Act set out the circumstances in which the regulator may exercise the power to collect information. The regulator may, for a purpose connected with its functions, require a person to provide a document or information which it believes is, or may be, in the person's possession and which relates to:
 - the financial or other affairs of a provider
 - activities which are, or may be, carried out by a person who is, or who has applied to become, a registered provider..

5 The regulator is most likely to exercise the power where:

- there is a potential failure against a standard
- the provider has failed to produce the information and documents required on a routine basis by the regulator
- the provider is either slow or unwilling to produce additional information and documents requested by the regulator when the regulator has grounds to believe that there may be a problem with a provider's performance and needs to undertake further regulatory scrutiny
- the provider has failed to honour a voluntary undertaking to the satisfaction of the regulator
- the provider has failed to deal with previous regulatory interventions to the satisfaction of the regulator
- it is necessary to collect information or documents as part of the exercise of the regulator's wider regulatory or investigatory powers such as an inspection or an inquiry.

This is not an exhaustive list and the regulator may conclude that it is necessary to exercise the power in other circumstances to those set out above.

The power

Who can be required to provide documents and information?

6 The application of the provisions of sections 107 and 108 of the 2008 Act is not restricted to a provider. The regulator can require a document or information from any person who is, or may be, in possession of it. This may include any person who is, or has been an officer, member, employee or agent of a provider or anyone providing goods or services to a provider. A requirement may be imposed on a person other than a provider only if:

- the provider has been asked to produce a document or information but has failed to do so
- the regulator concludes that the provider is unable to produce it.

- 7 The provisions of the 2008 Act do not require a person to produce anything which they would be entitled to refuse to disclose on the grounds of legal professional privilege in proceedings in the High Court.
- 8 The provisions of the 2008 Act do not require a banker to breach a duty of confidentiality owed to a person who is not the provider to whose affairs or activities the documents or information relate or a subsidiary of the provider or an associate of the provider.

Process

A requirement

- 9 The regulator will send a notice, or a requirement, to the provider which will:
- clearly state that the information is required under this power
 - specify the document or information required
 - the form and manner in which the document or information is to be provided, which may include the provision of a legible copy of information stored electronically
 - when and where the document or information is to be provided.

Response

- 10 The regulator expects the provider or other person to produce the document or information in accordance with the terms of the requirement. If the provider or other person does so, the regulator will acknowledge receipt. The regulator may copy or record the document or information produced.

Failure to comply with a requirement

- 11 If a provider or other person fails to comply with a requirement without reasonable justification, the regulator will consider whether further action may be necessary. If a provider or other person is unable to produce the document or information, they may give the regulator a written explanation setting out the reasons for the failure to comply with the requirement. Any such representations will be considered by the regulator and taken into account in deciding whether or not to take further action.

Further action

- 12 The regulator may apply to the High Court to make an Order to remedy the failure to comply with a requirement. In such circumstances the regulator may seek to recover its costs.

Guidance on the regulator's approach to intervention, enforcement and use of powers

- 13 The 2008 Act makes provision for the regulator or the Director of Public Prosecutions to bring proceedings, or to consent to proceedings if:
- a provider or other person fails without reasonable excuse to comply with a requirement
 - a provider or other person intentionally alters, suppresses or destroys a document or information to which a requirement relates.
- 14 Where information has been altered, suppressed or destroyed, the regulator may consider using one or more of its other powers.

Guidance Note 4

Guidance on sections 144 to 159: insolvency etc. and the Housing Administration Order powers introduced by the Housing and Planning Act 2016

Purpose

- 1 This document gives general advice and guidance on how the regulator envisages the powers relating to the potential insolvency of a PRP working.
- 2 There are two distinct sets of powers. The regulator's moratorium powers are set out in Chapter 4 of part 2 (sections 143A to 159) of the 2008 Act as amended by the Housing and Planning Act 2016 ("the HPA 2016").
- 3 The Housing Administration regime and the power of the regulator to apply to the court for a Housing Administration set out in chapter 5 of Part 4 of the HPA 2016 (including schedules).
- 4 The Housing Administration powers may be exercised in relation to non-profit and for-profit PRPs but not local authority providers.
- 5 This guidance note is organised into the following sections:
 - Background;
 - Moratorium powers; and
 - Housing Administration.

Part (a) Background and context

- 6 Where a PRP identifies a potential problem with, or threat to, its viability, for whatever reason, the regulator expects the PRP to notify the regulator immediately. The regulator will intervene as it considers appropriate bearing in mind its own statutory objectives, and this will usually include an aim of ensuring that viability is maintained. It may be possible to avert a potentially damaging situation without the need for either a moratorium or Housing Administration, and where that is possible and reasonable that is what the regulator will work towards.
- 7 Many of the actions required in a potential insolvency are specified in legislation and, as in the case of Housing Administration, associated rules, and the regulator must act within the legislative framework. Further, there are powers and responsibilities which fall to the courts and the Secretary of State, which it would not be appropriate to address in guidance issued by the regulator.

- 8 The purpose of the moratorium provisions in the 2008 Act is to create a period of time in which to seek a solution to the PRP's viability problem, in order to protect the social housing assets and the interests of the PRP's tenants. The moratorium provisions should not be construed as a guarantee that the regulator will underwrite the PRP's financial position in any way. During a moratorium the regulator will always consider the precise factual situation and make decisions on a case by case basis. It will usually consider making proposals in accordance with the 2008 Act and will usually work towards ensuring continued management of housing property by a PRP. That may not prove possible, and in any event the future owner or manager might not be the existing provider. The regulator will take seriously its statutory obligations towards the PRP's creditors in any proposed solution.
- 9 A moratorium is automatically triggered by notice of an insolvency-related "step", as defined in the 2008 Act (as amended by the HPA 2016), being taken. In that event, or where the regulator considers that a PRP is likely to be unable to pay its debts, the regulator will consider whether to apply to the SoS for permission to seek a Housing Administration Order from the court.

Part (b): The moratorium powers

The circumstances in which a moratorium may occur

- 10 Section 145 of the 2008 Act (as amended by the HPA 2016) specifies five provisions under which, where notice is given to the regulator, a moratorium is automatically triggered. The relevant notices are:
- a. winding up petition (further rules about which are set out in HPA 2016 section 104(2)(a))
 - b. application for permission to pass a resolution for voluntary winding up (further rules about which are set out in HPA 2016 section 105(4)(a))
 - c. Ordinary Administration application (further rules about which are set out in HPA 2016 section 106(3)(a))
 - d. appointment of ordinary administrator (further rules about which are set out in HPA 2016 section 107(4)(a))
 - e. intention to enforce security (further rules about which are set out in HPA 2016 section 108(2)(a)).
- 11 A notice under section 145 should be served, as soon as is practicable, in writing, on the Chief Executive, Regulator of Social Housing, Level 1A - City Tower, Piccadilly Plaza, Manchester, M1 4BT. This is the address for service of any legal documents on the regulator.
- 12 The notice should state clearly the step (specified in HRA section 145) under which the person is serving the notice and the reasons why this action is being taken.

The effect of notice under HRA section 145

- 13 If notice is given under section 145 in respect of a PRP, a moratorium on the disposal of land by the provider, begins. The initial period of moratorium is 28 calendar days, but this can be extended or ended early. The 28-day period begins with the day on which the notice is given.
- 14 During a moratorium the regulator has a variety of powers including powers to:
 - appoint an interim manager of the PRP
 - make proposals (following certain statutory processes) about the future ownership and management of the PRP's land with a view to ensuring that the property will be properly managed by a registered provider.
- 15 If the regulator makes proposals, those proposals only have effect if they are agreed by each of the PRP's secured creditors, as far as the regulator is able to locate after making reasonable enquiries. The HRA further provides for proposals to include the appointment of a manager by the regulator. The powers which may be conferred upon the manager are set out in the 2008 Act.
- 16 The regulator has the power under section 158 of the 2008 Act to give financial or other assistance to a PRP for the purpose of preserving its position pending the agreement of proposals, or to a PRP or an appointed manager to facilitate the implementation of agreed proposals. Certain forms of financial assistance require the prior consent of the SoS.

“Early warning” and Notification

- 17 As described above, the relevant provisions of the 2008 Act are triggered when a "notice" is given to the regulator of at least one of the steps set out in section 145 of the 2008 Act. The 2008 Act ~~makes~~ includes no requirement to provide formal ~~no provision for~~ early warning of ~~an intention~~ the issue of such a notice ~~to be given~~ to the regulator. However, the regulator as part of the co-regulatory approach expects transparency on the part of ~~registered providers~~ PRPs and for them to communicate with the regulator in a timely manner in relation to material issues such as serious emerging financial difficulties, and in advance of any notice of intention to enforce a security over property of the registered provider. ~~However, provision of early warning is encouraged by the regulator, as it could allow the regulator an opportunity of assisting in the resolution of the problem, thus rendering the actual action itself unnecessary.~~
- 18 On receipt of an early warning, or notice, the regulator will contact the relevant parties to gain an understanding of the problem. The regulator is likely to seek an urgent meeting with the PRP to explore options for resolving the problem. The action to be taken will depend on the circumstances of the case, and may include use of another of the regulator's statutory powers, such as (but not limited to) the power to make appointments to the governing body of the PRP. At this stage it may also be necessary for the regulator and/or the PRP to commission an independent accountant's review of the PRP's financial position. The regulator will use reasonable endeavours to keep the party who gave the notice appropriately informed throughout the period of its discussions with the PRP and, in particular, will advise that party as soon as practicable if resolution does not appear to be possible.

The moratorium

- 19 The initial moratorium on disposal of land by the PRP lasts up to 28 calendar days beginning with the day on which the notice under section 145 is given. Once the moratorium is in place, the taking of a further step by another party would not start a new moratorium period. Section 146 makes provision for the regulator to extend (or further extend) the moratorium with the consent of the secured creditors. The regulator may consider requesting consent to extend a moratorium where appropriate, and in particular (but without limitation) where it considers that it may be able to make acceptable proposals under section 152 about the future ownership and management of the PRP's land, but requires more time to finalise those proposals.
- 20 Section 146 makes provision for the regulator to cancel a moratorium if it is satisfied that it is not necessary to make proposals under section 152. In some cases, the problem may prove capable of being resolved without the need to produce a formal proposal. An example might be where the PRP arranges a partnership deal with another financially strong PRP. In that scenario the regulator would assess the proposal, including the capability and capacity of the PRP for continued ownership and management of the land, and, if it is satisfied that this is the most appropriate course, cancel the moratorium.
- 21 It is possible that, despite the efforts of the regulator and other stakeholders, the problems which first gave rise to the moratorium cannot be resolved within a moratorium period or at all. Alternatively, proposals put together by the regulator might not be agreed by the secured creditors. In such cases, the regulator is likely to convey its conclusions on this point, including the reasons why proposals are not being pursued, to the PRP and to its secured creditors. Creditors will then be free to take alternative action as they see fit (as will the PRP itself), as long as no Housing Administration Order or liquidation process is in force. It should be noted that where a moratorium ends without any proposals being agreed, the taking of a further step within the next three years will not automatically trigger another moratorium without a decision to impose a moratorium by the regulator and the consent of such secured creditors as can be located after reasonable enquiries (section 147).

Effect of a moratorium

- 22 During a moratorium, the regulator's prior consent is required under section 148 of the 2008 Act to a disposal of the PRP's land, clarified in the 2008 Act to include disposal of a present or future interest in rent or other receipts arising from the land. Section 149 of the 2008 Act outlines some exceptions where consent is not required, mainly covering specific types of lettings, 'right to buy' and 'right to acquire'. Homes England and the GLA are prevented under section 148 from giving the PRP a Direction in relation to recovery of social housing grant or enforcing any such Direction previously given, during a moratorium.
- 23 Section 150 of the 2008 Act makes it clear that a purported disposal without consent is void (unless it is of a single dwelling and the PRP believes that the buyer intends to use the property as the buyer's principal residence).

- 24 As a general rule, the regulator considers it inappropriate for disposals to be made during a moratorium. However, the regulator will consider each request for disposal on its merits, and may consent where it believes that it is reasonable to do so. A possible situation where the regulator might consent would be where a disposal would appear to be likely to stabilise or improve the PRP's financial position, thus giving time to facilitate the development of proposals for an overall solution. The regulator would have regard to the position of secured creditors and creditors in general before providing any consent. Any such consent may be given subject to conditions which would be dictated by the circumstances of the particular case.

Interim manager

- 25 Section 151 of the 2008 Act gives the regulator the power to appoint an interim manager of a registered provider during a moratorium. An appointment may relate to a PRP's affairs generally or to specific affairs, and the terms and conditions of the appointment will be specified. An appointment lasts until the earliest of: the end of the moratorium or the agreement of proposals made by the regulator, or a date specified in the appointment. An interim manager may be given wide-ranging powers in relation to the PRP's affairs, but the 2008 Act forbids an interim manager from disposing of land or granting security over land. There is no provision in the HRA for meeting the costs of an interim manager. The regulator anticipates that those costs will be met by the provider, but in cases where this is clearly not possible the regulator may consider underwriting the costs of an interim manager in whole or in part.
- 26 The regulator envisages appointing an interim manager in most cases where the moratorium is triggered. An interim manager can assist in the management of the PRP's affairs and maintenance of services to tenants on an interim basis. The skills and expertise required of the interim manager and the powers conveyed in the appointment will be determined by the circumstances in each case. The regulator anticipates that in most cases an interim manager will be a senior housing executive, a professionally qualified person, or an insolvency practitioner. In most cases, the regulator expects to give an interim manager full executive powers over the provider's affairs, although this will depend on an assessment of the skills and expertise already available to the PRP. The regulator will take into account the views expressed by a PRP's secured creditors before making an appointment.
- 27 When it receives a notice under section 145, the regulator will make an early assessment of the capacity and willingness of the registered provider's governing body to oversee its affairs during a moratorium and may consider taking steps to strengthen the governing body. This may be by way of making statutory appointments under section 269 of the 2008 Act (see separate guidance on such appointments).

Making proposals

- 28 Section 152 of the 2008 Act permits the regulator to make proposals about the future ownership and management of the PRP's land with a view to ensuring that the property will be properly managed by a PRP. The regulator must have regard to the interests of the PRP's creditors as a whole and, so far as is reasonably practicable, avoid worsening the position of unsecured creditors. Section 152 also makes provision for protecting the status quo in respect of preferential creditors. Proposals may provide for the appointment of a manager under section 155 to implement all or part of the proposals (see paragraphs 29 to 33). Where the PRP is a charity, the regulator's proposals will not require the PRP to act outside the terms of its trusts and will only provide for disposal of accommodation to another charity with similar objects.
- 29 In drawing up proposals, the regulator will have regard to the interests of all stakeholders. It is not possible to outline in advance the precise form that proposals will take in a particular situation. The particular circumstances of each case will determine the regulator's strategy. The regulator will dedicate resources throughout the moratorium period in seeking to devise a rescue plan. Meetings will normally be arranged with the provider itself and its secured creditors. Under section 153 of the 2008 Act, before making proposals, the regulator must consult with the PRP and (so far as is reasonably practicable) its tenants, and with the Financial Conduct Authority or the Charity Commission, as appropriate.
- 30 If the regulator makes proposals, it must, under section 153, send a copy of those proposals to the PRP and its officers, such of the secured creditors as the regulator is able to locate after making reasonable enquiries, and to any appointed insolvency office holder. The regulator expects to be able to agree a list of secured creditors with the PRP at an early stage and may take legal advice as appropriate to determine which creditors might be deemed to have secured status. The regulator must also make arrangements to bring proposals to the attention of the provider's members, its tenants, and its unsecured creditors. The Governance and Financial Viability Standard⁴ requires PRPs to maintain a thorough, accurate and up-to-date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets.
- 31 Proposals can only be taken forward for implementation if they have been agreed by all of the identified secured creditors. The regulator expects that, through its prior engagement with the secured creditors, it will know what proposals are likely to be acceptable. Section 153 makes provision for modifications to be incorporated in the proposals in order to reach agreement.
- 32 If proposals are agreed, the regulator must send a copy of those proposals to the PRP and its officers, the secured creditors, any appointed insolvency office holder, and the Financial Conduct Authority or the Charity Commission as appropriate. The regulator must also make arrangements to inform the PRP's members, its tenants, and its unsecured creditors. Any subsequent amendments to proposals must follow the same process as that for the original proposals.

⁴ <https://www.gov.uk/guidance/regulatory-standards>

- 33 In most cases, the regulator's objective in drawing up proposals is likely to be to seek to avoid the formal insolvency of the PRP, while recognising that it may be difficult to satisfy the competing interests of all stakeholders, and that the regulator has a wide range of obligations pursuant to its statutory objectives. The regulator will seek to ensure that any proposals do not cause a conflict of duties for any appointed insolvency holder. Preserving the independence of the PRP will not usually be a primary consideration. In many cases where a moratorium is in place, other PRPs are likely to be able to assist with a solution. The regulator may hold discussions with such other providers as it believes may have the capacity and capability to provide the necessary assistance.

Effect of agreed proposals

- 34 Under section 154 of the HRA the regulator, the PRP, its creditors, and any appointed insolvency office holder must implement agreed proposals. The directors, committee members, or trustees of the PRP are required to co-operate with the implementation of agreed proposals, with the proviso that they are not required or permitted to commit a breach of a fiduciary or other duty to the PRP. The regulator may take enforcement action through the courts against any persons who do not comply with their obligations in respect of agreed proposals.

Appointment of manager and related powers

- 35 Section 155 of the 2008 Act enables the regulator to appoint a manager where agreed proposals make provision for such appointment, and for the payment of the manager's reasonable remuneration and expenses. This is a separate power from the power to appoint an interim manager of a registered provider during a moratorium. The regulator may give the manager general or specific directions. If the provider is a charity, the regulator must notify the Charity Commission that a manager has been appointed. Section 156 of the 2008 Act lays down a non-exhaustive list of powers which may be conferred on the manager. In general, these powers enable a manager to carry on the business of the provider while proposals are implemented. They include a power to appoint a solicitor, accountant or other professional to assist the manager. A manager must, so far as is reasonably practicable, consult and inform the provider's tenants about an exercise of powers likely to affect them.
- 36 The regulator considers that the appointment of a manager is likely to be necessary in most cases in which proposals are agreed, but will look at each case on its merits. The appointment details and the identity of the manager will be included in the agreed proposals. The skills and expertise required of the manager and the powers conveyed in the appointment will be determined by the circumstances in each case. The regulator anticipates that in most cases a manager will be an experienced senior housing executive, an experienced professional person, or an experienced insolvency practitioner. The manager may be the same person who acted as interim manager during the moratorium. The proposal will make provision for the payment of the manager's remuneration and expenses.
- 37 Section 157 of the 2008 Act gives the manager additional powers where the registered provider is a Registered Society (as defined by the Co-operative and Community Benefit Societies Act 2014). Under this provision, the appointment of a manager may confer on the manager power to take the legal steps necessary to amalgamate the society with another Registered Society or to transfer its engagements.

- 38 The regulator believes that the power to amalgamate or transfer engagements is an effective power which is likely to be useful in the management of an insolvency situation. This is because any recipient registered provider would be chosen for its capacity and capability to resolve the problems. Such a proposal would be likely to be included so as to increase the likelihood that properties would be properly managed by a registered provider (as required under section 152), while the interests of tenants, public funding, and creditors would be protected.
- 39 The regulator would expect a manager to act expeditiously to ensure implementation of agreed proposals and to work closely with all interested parties to achieve this objective. A manager may apply to the High Court for directions in relation to his or her actions, and High Court directions would overrule any directions given by the regulator on the same matter. The regulator would expect a manager to exercise the duty to consult or inform tenants where any actions are likely to affect their continuing rights, their rents, or the level of services being provided.

Assistance by the regulator

- 40 Section 158 of the 2008 Act permits the regulator to give financial or other assistance to a registered provider for the purpose of preserving its position pending the agreement of proposals, or to a registered provider or a manager to facilitate the implementation of agreed proposals. In particular, the regulator may lend staff and may arrange for payment of the manager's remuneration and expenses. The regulator's power to provide financial assistance is restricted by the need to obtain the consent of the SoS to make grants or loans, to indemnify a manager, to make payments in connection with secured loans, or to guarantee payments in connection with secured loans.
- 41 The regulator expects agreed proposals to make provision for the payment of a manager's remuneration and expenses, but, in the unlikely event that without such provision a proposal would otherwise fail to be agreed, the regulator would consider underwriting the costs of a manager. The regulator does not expect to seek the consent of the SoS to other forms of financial assistance as, generally speaking, to do so would mean public funds being employed to protect the commercial risks of existing creditors. The regulator believes that there may be exceptional circumstances, as for example, where an additional line of temporary credit is needed during a moratorium, in which it might be necessary for the regulator to consider whether an approach to the SoS for these purposes is warranted.

Applications to the court

- 42 Once they are agreed, proposals are binding on the relevant parties as noted in paragraph 33. Section 159 of the 2008 Act makes provision for the registered provider or a creditor of the PRP to make application to the High Court where they think that action by a manager is not in accordance with the agreed proposals. It also allows any party bound by the proposals to make application to the High Court where it thinks that action by another bound party is in breach of the obligation to implement agreed proposals.

What the regulator expects from the provider

43 The regulator expects the registered provider (including its officers and its directors, board members, committee members and/or trustees) affected by a moratorium triggered under section 145 of the 2008 Act to:

- notify the regulator immediately where the provider identifies a potential problem with, or threat to, its viability, for whatever reason
- notify the regulator immediately where it has reason to believe that a notice under section 145 is likely to be served
- take legal and financial advice as to its trading position and duties under the 2008 Act and under insolvency legislation, to include specific advice to the provider's officers and its directors, board members, committee members and/or trustees
- provide up-to-date details to the regulator of the provider's officers and its directors, board members, committee members or trustees
- provide such information and assistance as the regulator requires in order to identify all the secured creditors of the provider
- provide details to the regulator of any insolvency office holder appointed in respect of the provider's affairs
- supply relevant details, to be agreed with the regulator, to enable the regulator to bring information to the attention of the provider's members, its tenants and its unsecured creditors
- co-operate with any interim manager appointed by the regulator, and provide facilities and information to assist the interim manager to discharge his or her specified duties
- supply relevant details, to be agreed with the regulator, to enable the regulator to bring information to the attention of the provider's members, its tenants and its unsecured creditors
- co-operate with any manager appointed by the regulator, and provide facilities and information to assist the manager to discharge his or her specified duties
- provide such information as the regulator requests, and access to relevant books and records, to enable an assessment of the provider's financial (and where relevant governance) position to be undertaken
- co-operate fully with the regulator, and provide such support as the regulator requires, in the development of proposals for the future ownership and management of the provider's land

- co-operate fully with the regulator in its use of any other regulatory powers during the period of a moratorium
- co-ordinate a communications strategy on all matters relating to the use of these powers with the regulator, and ensure that no public statements are made without the regulator's prior agreement, and
- implement proposals agreed between the regulator and the secured creditors.

Consultation

44 The 2008 Act requires the regulator, in exercising its moratorium powers, to consult relevant persons at certain stages and also to notify other identified persons. The regulator also recognises that regard may have to be had to a number of legitimate interests and that it may be appropriate to consult or inform stakeholders accordingly. The regulator will consider what is appropriate in each specific case, but consultees may include:

- secured creditors – any proposals made by the regulator under section 152 can only be implemented with the agreement of the secured creditors (see also paragraphs 28 and 29). The regulator will usually endeavour to work closely with the secured creditors throughout the process set out in the 2008 Act. The regulator will hold an early meeting with the provider and its secured creditors to agree an action plan, which will include a communications strategy.
- tenants – the regulator recognises that any situation where moratorium powers are triggered could cause anxiety for tenants and leaseholders, and the regulator will take reasonable steps to mitigate that anxiety where possible. The regulator will ensure that it complies with the legal requirements for consulting and informing tenants, and will monitor any manager's compliance with such rules. The nature of any consultation will depend on the circumstances of the case and the timescales involved. It will not be practicable in some situations to make direct contact with each individual tenant. The regulator may use various techniques and media to consult and inform tenants including where appropriate, liaison with recognised tenant representative groups, appointment of a tenant adviser, telephone help-lines, advertisements in local newspapers, making information available online and tenant meetings.
- the registered provider – the regulator is required to consult with and inform the provider in some circumstances. The provider (including its officers and its directors, committee members or trustees) and its senior staff are likely to be involved fully from the outset. The regulator's expectations of the provider are outlined in paragraph 42.

- any insolvency office holder – the regulator recognises that, in certain situations, an insolvency office holder could also be appointed in respect of the provider or its land. It will usually be appropriate for the regulator to support the person appointed in the performance of his or her duties, and the regulator would endeavour to hold an early meeting with the insolvency office holder to make appropriate arrangements for communication. In cases where an insolvency office holder is in place, and the regulator wishes to appoint an interim manager, the regulator will consider, in discussion with the relevant parties, whether it would be appropriate to appoint the insolvency office holder as the interim manager.
- unsecured creditors – the regulator must make arrangements for bringing proposals (both before and after their agreement) to the attention of any unsecured creditors. The regulator will require the provider to provide a list of unsecured creditors for this purpose. If, for any reason, it is not possible to obtain contact details for all unsecured creditors, the regulator will make arrangements for advertising the proposals in an appropriate publication such as the London Gazette.
- other regulators – the regulator is obliged to consult and inform the Financial Conduct Authority and the Charity Commission, as appropriate. In addition to its formal obligations, the regulator will keep these two bodies, as well as the Registrar of Companies (where the provider is a registered company), informed of the ongoing situation during a moratorium as regularly as is appropriate and practicable.
- local authorities – the regulator recognises that local authorities in whose areas a registered provider operates may have various levels of interest in the provider's affairs. Where a local authority is a secured creditor its position is the same as other secured creditors as outlined above. In other situations, the regulator does not have a legal duty to consult or inform local authorities, but the regulator will endeavour to keep local authorities informed as appropriate to the particular circumstances of each case
- central government – the regulator will keep relevant persons at the Ministry of Housing, Communities and Local Government (MHCLG) informed at relevant stages in the exercise of these powers and will agree with MHCLG on a case by case basis which other government departments should also be kept informed.
- cross border regulators – where the regulator's insolvency power is triggered in respect of a registered provider which undertakes business activities or has operating subsidiaries in Scotland, Wales or Northern Ireland the regulator will notify the Scottish Housing Regulator, the Welsh Assembly Government, and/or the Northern Ireland Housing Executive, as appropriate.

Direction to Homes England

- 45 Under section 100G the regulator can direct the Homes and Communities Agency, which now refers to itself as Homes England, not to provide financial assistance to a specified registered provider. In circumstances where it has received notice under section 145, the regulator will consider whether to make such a direction to Homes England. The circumstances of each case will be different and the regulator will be mindful of its objective of protecting public funds. However, as a general rule the regulator will not generally make a direction to Homes England where to do so might worsen the financial position of the provider, thus hastening the onset of insolvency. At the outset of a moratorium the regulator will endeavour to meet with Homes England to gain a full and detailed understanding of the position of the provider in respect of existing and proposed Homes England financial assistance, and to ensure that Homes England is aware of the circumstances of the case.

Direction to the GLA

- 46 Under the Greater London Authority Act 1999 section 333ZG, the regulator can direct the GLA not to provide financial assistance in connection with social housing to a specified registered provider. In circumstances where it has received notice under section 145, the regulator will consider whether to make such a Direction to the GLA. The circumstances of each case will be different and the regulator will be mindful of its objective of protecting public funds.
- 47 However, as a general rule, the regulator will not give a Direction to the GLA where to do so would worsen the financial position of the provider, thus hastening the onset of insolvency.
- 48 At the outset of a moratorium relating to a provider owning land in Greater London, the regulator will endeavour to meet with the GLA to gain a full and detailed understanding of the position of the provider in respect of existing and proposed GLA financial assistance, and to ensure that the GLA is aware of the circumstances of the case. Further advice about the regulator's approach to the use of this power is set out in the relevant guidance note.

Part (c): Housing Administration

- 49 The HPA 2016 introduced a Housing Administration regime for PRPs of social housing.
- 50 The new Housing Administration regime enables the SoS or the regulator (with the consent of the SoS) to apply to court for an Order appointing licensed insolvency practitioners to act as Housing Administrators of a PRP.
- 51 Section 145 of the 2008 Act requires notice to be given to the regulator of intended insolvency or enforcement steps which are proposed by creditors, the provider or other stakeholders under certain provisions of the HPA 2016. This triggers a moratorium as set out in paragraph 10 of the introduction to the guidance, during which the regulator may work with the affected parties to try and agree a rescue scheme with the registered providers secured creditors (within the 2008 Act moratorium regime) and/or whether to apply for a Housing Administration Order. It is also open to the regulator to decide not to take any action, in which case the insolvency or enforcement steps which are proposed by creditors, the PRP or other stakeholders will proceed in accordance with the relevant process.

- 52 Housing Administration, [similarly to an Ordinary Administration](#), permits arrangements to be put in place to allow a provider to continue operating until it is either rescued as a going concern, sold, or its assets transferred to other providers or third parties. [The second objective intention](#) is to maintain social housing in the regulated sector as far as possible. [Additionally the regulator's objectives are to](#) maintain continuity of provision of social housing and maintain the attractiveness of the sector to current and future investors.

The circumstances in which the power can be exercised and the regulator's approach to applying to court for a Housing Administration Order

- 53 Section 99 of the HPA 2016 sets out that an application to the court for a Housing Administration may be made either by the SoS or regulator, with the SoS's consent. The HPA 2016 does not prescribe the circumstances under which the SoS or the regulator may apply to the court for a Housing Administration Order but Section 100 of the HPA 2016 sets out that the court may only make a Housing Administration Order in certain circumstances.
- 54 The regulator will consider each case on its precise facts, and decide the most appropriate course accordingly, but it envisages it may make an application for a Housing Administration Order in circumstances:
1. where it appears to the regulator that it is likely the PRP will be unable to pay its debts, and that Housing Administration offers an appropriate route to achieving the regulator's objectives; or
 2. the regulator has been notified of a "step" towards insolvency under section 145 of the HRA, and the regulator considers that:
 - a. there is a significant risk that it will not be possible to agree acceptable proposals via the moratorium process; and/or
 - b. a better outcome is unlikely to be achieved via a normal administration (if available).

Regulator's approach to applications from creditors for Ordinary Administration

- 55 Section 106 of the HPA 2016 sets out that the regulator must be given at least 28 days' notice of an application by a third party for an Ordinary Administration Order. This triggers a moratorium under section 145 of the HRA. During that period, the regulator will decide whether to make proposals under the HRA moratorium power, apply for a Housing Administration Order, or allow the Ordinary Administration to proceed. In line with the principles set out previously, the regulator will normally seek to resolve the situation through making proposals within a moratorium, unless it considers that Housing Administration offers a better chance of satisfactory resolution in line with the regulator's objectives.

Appointment of a Housing Administrator

- 56 The documents supporting an application to court for a Housing Administration Order will identify the proposed Housing Administrator. The legislation requires that a person is not to be the Housing Administrator of a PRP unless they are qualified to act as an insolvency practitioner in relation to the PRP. In an application by the regulator, the regulator will decide who to propose for the role on the basis of a transparent process which includes consideration of experience and expertise in relation to PRPs and special administration regimes. In circumstances where the PRP has already engaged an insolvency practitioner to support it in resolving its problems, the regulator will consider whether to put forward that person for appointment as Housing Administrator. In all cases the proposed Housing Administrator will be a qualified insolvency practitioner and will, as soon as is practical, publish a notice of appointment which must be gazetted and may be advertised in such other manner as the Housing Administrator thinks fit.
- 57 Following publication of the notice the administrator must deliver the notice to the appointed persons named in the 2008 Act

Objectives of the Housing Administrator

- 58 Once appointed the Housing Administrator has two statutory objectives:

Objective 1

- rescue the registered provider as a going concern, or
- achieve a better result for the registered provider's creditors as a whole than would be likely if the registered provider were wound up (without first being in Housing Administration), or
- realise property in order to make a distribution to one or more secured or preferential creditors (HPA 2016, s 97(1)).

Objective 2

- ensure that the registered provider's social housing remains in the regulated housing sector (i.e. owned by a registered provider) (HPA 2016, s 98).

- 59 While the Housing Administrator must work towards achieving both objectives, as with a normal administration, Objective 1 takes priority over Objective 2. They must also aim to achieve these objectives as quickly and efficiently as possible.

Additional powers for the Secretary of State

60 Where a Housing Administration Order has been made, the Secretary of State (SoS) has a number of new powers available under sections 109 to 113 HPA 2016 to support the achievement of the objectives of the administration which include:

- making grants or loans to the registered provider
- to provide indemnities in respect of liabilities incurred or loss or damage sustained in connection with the Housing Administrator carrying out their function and
- to provide guarantees in respect of financial obligations of the registered provider.

End of administration

61 The SoS, or (with the consent of the SoS) the regulator or the Housing Administrator can make an application to court to end the Housing Administration.

Guidance Note 5

Guidance on section 167: transfer of property

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power relating to the transfer of property following the dissolution or winding up of a non-profit PRP. This is a general power and is set out in Chapter 4 section 167 of the 2008 Act. It may be exercised in relation to registered providers with some exceptions, which are set out in the section below on scope.

Scope

- 2 The power may be exercised in relation to a non-profit PRP which is a registered company or a Registered Society. It cannot be applied to a local authority provider, a for-profit provider or to a registered charity, which is not a registered company.

Background and context to the use of the power

- 3 The principles behind the constitutional and operating frameworks of non-profit PRPs are such that any assets held by them should be applied in furtherance of their own objects or the objects of similarly constituted bodies. As any assets remaining after a non-profit PRP ceases to exist cannot be distributed to its members the 2008 Act provides assurance that those assets will continue to be used for their intended, or similar, purposes.

The power

The circumstances in which the power can be exercised

- 5 The power can only be exercised where a non-profit PRP is dissolved under the Co-operative and Community Benefit Societies Act 2014 or is wound up under the Insolvency Act 1986. The power has effect despite anything contained in the Co-operative and Community Benefit Societies Act 2014, the Insolvency Act 1986, the Companies Act 2006 or the constitution of the provider.

The effect of an exercise of the power

- 6 Any surplus property that is available after satisfying the non-profit PRP's liabilities must be transferred to the regulator or, if the regulator directs, to a specified non-profit PRP. Where the PRP that is dissolved or wound up is a charity, its surplus property can only be transferred to another charity that has similar objects to those of the transferring charity. The 2008 Act gives the regulator the power to decide whether the objects of the two charities are similar. The regulator will consult with the proposed recipient charity, and will take advice from the Charity Commission as necessary, before making a decision on similarity of objects.

7 The regulator considers that the legal processes for dissolution and for winding up will ensure that all assets and liabilities of a non-profit PRP are properly identified such that the regulator will not need to undertake a separate process to satisfy itself in that regard.

8 The 2008 Act also gives the regulator the power to discharge liabilities of a non-profit PRP in order to avoid the sale of the provider's land and instead secure a transfer of that land. The regulator does not envisage using this power frequently, as to do so would mean public funds taking the place of existing creditors. There may be exceptional circumstances, for example if tenants are in danger of losing their homes, where the regulator would consider a case for providing financial assistance. The regulator would only consider such a case where all other possible avenues for meeting the liabilities had been exhausted.

Directing a transfer of surplus property

9 Where the regulator holds surplus property transferred to it under section 167 (and under previous legislation) the regulator may transfer such property to other non-profit PRPs in accordance with criteria determined by the regulator and made available from time to time. In general, surplus property will be used to facilitate strategies for the resolution of serious problem cases, and in some cases may take the form of direct financial assistance.

Consultation

10 The 2008 Act does not require the regulator to consult relevant persons in exercising its power under section 167. As the non-profit PRP which owned the property will be dissolved or wound up there are unlikely to be any significant legitimate interests remaining. The regulator is committed to as full a consultation as is possible with any relevant stakeholders.

Guidance Note 6

Guidance on sections 199 to 200: survey

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power to carry out a survey. This is a regulatory power and is set out in Chapter 6 sections 199 to 200 of the 2008 Act.

Scope

- 2 The power may be exercised in relation to all providers, including a non-profit PRP, a for-profit PRP and a local authority provider.
- 3 The term “premises” is not defined in the Act, but the regulator will only exercise the power to carry out a survey in relation to social housing, that is to homes or dwellings. The term “dwelling” is defined in section 275 of the 2008 Act as “a house or flat or other building occupied or intended to be occupied as a separate dwelling”, and “includes any garden, yard, outhouse or other appurtenance”. The regulator considers that common parts will fall within this definition.

Background and context to the use of the power

- 4 A provider is responsible for ensuring that it achieves the standards set by the regulator. A provider has primary responsibility for ensuring that its tenants live in good quality accommodation which is repaired and maintained to the highest standards. The regulator expects providers to have good quality information on the condition of its social housing stock. It may be necessary for the regulator to step in and exercise this power when it suspects that a provider is failing to maintain its premises in accordance with the standards under section 193 of the 2008 Act.

Potential triggers to the exercise of the power

- 5 Sections 199 and 200 of the 2008 Act set out the circumstances in which the regulator may exercise the power to carry out a survey. The regulator may arrange for a survey of the condition of identified homes by an authorised person.
- 6 Indicators of a potential breach of the standards could include:
 - a potential generic problem in design, construction or condition which may impact across the provider's social housing stock where there are reasonable grounds to suspect there has been or there is a risk of a serious detriment to tenants
 - a failure by the provider to honour a relevant voluntary undertaking to the satisfaction of the regulator.

- a failure by the provider to deal with previous relevant regulatory interventions to the satisfaction of the regulator
- a survey is necessary as part of the exercise of the regulator's wider regulatory or investigatory powers such as an inspection or an inquiry.

Process

Who can carry out a survey?

- 7 A survey can be carried out by anyone who is authorised by the regulator. An "authorised person" may be a member of the regulator's staff, or any other person who has been authorised in writing by the regulator for the purposes of carrying out a survey under this power. The regulator will ensure that the authorised person is qualified for the intended purpose of the survey.

Authority to carry out the survey

- 8 The regulator will give the authorised person written authority to carry out the survey. The regulator will send a copy of this authority to the provider. When carrying out the survey, or seeking to enter premises in order to carry out the survey, the surveyor must produce a copy of the authorisation if requested to do so by the occupier of the premises. The surveyor may enter the premises at any reasonable time to carry out the survey.

Notice

- 9 The 2008 Act places obligations on both the regulator and the provider in relation to giving notice of the survey:
- the authorised person must give the provider at least 28 days' notice
 - the provider must give each occupier of the premises at least seven days' notice.

Report

- 10 After carrying out a survey, the surveyor must produce a written report for the regulator. The regulator will send a copy of the report to the provider.

Costs

- 11 The 2008 Act makes provision for the regulator to require the provider to pay some or all of the costs of the survey and report. This is discretionary, but the regulator will usually seek to recover the full cost of the survey and report from the provider, having taken into account the outcome of the report and the circumstances of the provider.

Sanctions

- 12 The 2008 Act makes provision for the regulator or the Director of Public Prosecutions to bring proceedings in circumstances where:
- a provider fails without reasonable excuse to comply with the requirement to give each occupier of the premises at least seven days' notice of a survey
 - a provider, or an officer of a provider, obstructs an authorised person in exercising the power to carry out a survey.

Guidance Note 7

Guidance on sections 201 to 203: inspection

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise its power on inspection. This is a regulatory power and is set out in Chapter 6 and sections 201 to 203 of the 2008 Act. The power may be exercised in relation to all registered providers.

Background and context to the use of the power

- 2 The regulator may commission an inspection to establish whether a registered provider is compliant with our standards and regulatory requirements. In considering whether or not to commission an inspection, the regulator will take account of the different thresholds for intervention that apply to the economic and to the consumer standards, including whether or not the serious detriment test is met in relation to consumer standards. The regulator will decide the scope of, and produce the brief for, each inspection. The brief will set out the matters to be investigated and the methodology to be followed. The inspection will focus on those areas where concerns have been identified and will provide a clear, evidence-based assessment of compliance with our standards and regulatory requirements.

Potential triggers to the exercise of the power

- 3 Section 201 of the 2008 Act specifies that the regulator may arrange for a person to inspect:
 - a registered provider's performance of its functions in relation to the provision of social housing, or
 - the financial or other affairs of a registered provider.
- 4 The regulator is most likely to exercise the power of inspection where a registered provider might be non-compliant with one or more of the standards applicable to it, and the regulator needs to establish whether there is an actual failure and, if there is, the level of severity associated with the failure in order to consider whether further action might be necessary. Examples of the circumstances in which the regulator might commission an inspection include:
 - evidence of a breach of one or more economic standards including indicators of financial problems or poor financial management
 - evidence of a breach of one or more consumer standards where there are reasonable grounds to suspect there has been or there is risk of serious detriment to tenants

- where we have grounds to suspect that an agreed programme of self-improvement to resolve previously identified concerns has failed to achieve compliance with the standards or is not being progressed in a timely way
- evidence of impropriety (including fraud) and
- whistle blowing involving allegations of a serious nature.

Scope

- 5 The power of inspection may be exercised in relation to a PRP where the inspection relates to economic standards under section 194 of the 2008 Act and to all registered providers where the inspection relates to consumer standards under section 193 of the Act. An inspection of the social housing activities of a local authority provider will include liaison with managing agents where management services are provided by an arm's length management organisation (ALMO), a tenant management organisation (TMO), or other manager under contract.

The power

Who can conduct an inspection?

- 6 The regulator may appoint any person to conduct an inspection. The regulator will ensure that the inspector is qualified for the intended purpose of the inspection. An inspector is most likely to be:
- an appropriate professional expert, or
 - a member of the regulator's staff if the SoS consents on either a general or specific basis.

The inspection brief

- 7 It is for the regulator to decide whether an inspection is needed and its scope, taking into account the particular circumstances of the registered provider. The regulator will ensure that the inspection is focussed on any potential failure of a standard. The regulator will produce the brief for the inspection. While the nature of the brief will vary depending on the circumstances of the case, it will be bespoke to the specific presenting concerns at the registered provider and will focus on investigating whether or not the registered provider is compliant with the relevant standards. The brief will usually include:
- the matters to be investigated
 - the methodology to be followed
 - the proposed dates for the start and completion of the inspection, which is most likely to be carried out at short notice
 - the reporting arrangements
 - fees and cost control arrangements.

Notification and initial contact with the provider

- 8 The regulator's general approach to regulatory engagement with registered provider means that in most cases any concerns will have been discussed with the registered provider before the regulator considers whether to commission an inspection. Cases where it might not be appropriate to do so include those where the regulator has to act speedily in order to protect tenants or the taxpayer. Once the regulator has decided to commission an inspection and has given the brief to the commissioned inspector, it will notify the provider of:
- the reason it has commissioned the inspection
 - the standard(s) to which the inspection relates
 - the brief for the inspection.
- 9 The regulator will agree the arrangements for the inspection with the inspector and the registered provider based on the particular circumstances of the case. The regulator will expect the inspector to then make contact with the provider in order to agree the detailed practical arrangements associated with the inspection, including confirmation of dates and any requirements for information or access that might be necessary.
- 10 The regulator expects the registered provider to give all the background information required for the inspection to the inspector on a timely basis. The regulator will give support to the inspector in circumstances where it is necessary to use regulatory powers to obtain specified information and documents in the Act. The regulator will provide any supporting information it holds to the inspector. The inspector will ensure that the inspection is delivered in a timely, efficient and cost-effective way that minimises the administrative impact on the registered provider while ensuring that it fully investigates the matters that led to the inspection being commissioned. The regulator will monitor the inspector's progress in order to achieve these outcomes.

An inspector's powers

- 11 The inspector will be authorised in writing by the regulator to exercise the powers of an inspector which are set out in Section 203 of the Act. In summary these are to:
- require a person to provide specified documents or information. The regulator would expect a registered provider, or its agents, to produce information and documents when requested to do so by the inspector as listed in section 107(1) (see separate guidance note on section 107 of the Act). Where the registered provider does not do so, the inspector may by notice require the information and documents to be produced.
 - enter premises occupied by the registered provider at any reasonable time.
 - inspect, copy or take away documents found on the premises. This includes all relevant documents held by the registered provider, including documents stored on computers.

- inspect any computer on which documents have been created or stored.
- require any person, including any person having charge of a computer, to provide such facilities or assistance as the inspector reasonably requests.

The inspection report

- 12 The 2008 Act requires the inspector to produce a written report. The report will in particular set out the inspector's opinion on whether or not the registered provider is compliant with regulatory standards and requirements. The inspector will be required to provide evidence to support their opinion. Where an inspector identifies serious concerns, the regulator would normally expect them to make recommendations for remedial action.
- 13 The regulator will ensure that a copy of the report is given to the registered provider together with its own assessment of the outcome of the inspection. The 2008 Act makes provision for both the regulator and the inspector to have discretion to publish the report, and the regulator will take into account all relevant factors in coming to a decision on publication, including all legal requirements and commercial confidentiality. Where the regulator decides that it would be appropriate to publish an inspection report, it will determine the basis on which it is published having taken account of the views of the inspector and the registered provider.

Follow-up action

- 14 The regulator will consider the inspection report, decide whether or not there has been a breach of a standard or our regulatory requirements and, if there has, whether or not it is sufficiently serious to warrant follow-up action by the provider. Different thresholds may apply in such circumstances depending on whether or not the serious detriment test is met in relation to consumer standards. Where an inspection demonstrates a failure against a standard or mismanagement in the affairs of a registered provider, the regulator may consider further action against the registered provider, including the possible exercise of one or more of its enforcement powers. In considering the outcome of the inspection, the regulator may assess any wider implications for the management and governance of the registered provider, where applicable. The regulator will ensure that inspection findings are reflected in any published regulatory judgement or notice where they are material and its overall assessment of the registered provider is changed as a result of them. The regulator will expect any remedial action that is necessary to be implemented swiftly by the registered provider.

The costs of an inspection

- 15 The 2008 Act makes provision for the regulator to pay for an inspection. It also makes provision for the SoS by Order to authorise the regulator to charge fees for inspections. The SoS has not made such an Order, so the regulator cannot charge fees for inspections. The MHCLG and regulator may consult about charging fees at a future date.

Sanctions for failing to co-operate with an inspector

- 16 The 2008 Act makes provision for the regulator or the Director of Public Prosecutions (or someone else with their consent) to bring proceedings in circumstances where a person without reasonable excuse obstructs an inspector exercising the powers set out in section 203 (4-8) of the Act.

What the regulator expects from the registered provider

- 17 The regulator expects a registered provider that is subject to inspection to:
- co-operate fully with the regulator and the inspector
 - give access to premises, staff and tenants to the inspector when requested
 - provide information and documents to the inspector on a timely basis
 - provide facilities and assistance to the inspector when requested
 - not to publicly comment on the findings of an inspection until the report is in the public domain.

Guidance Note 8

Guidance on sections 206 to 209: inquiry

Guidance on section 210: extraordinary audit

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the powers on inquiry and extraordinary audit. These are regulatory powers and are set out in Chapter 6 and sections 206 to 209 and section 210 of the 2008 Act. They may be exercised in relation to all registered providers, subject to the exceptions applying to Las and for-profit providers that are set out in the section headed "scope" below.

Scope

- 2 These powers may be exercised in relation to all providers including a non-profit PRP, a for-profit PRP (in relation to its social housing) and a local authority provider (in relation to its social housing).
- 3 An extraordinary audit of the accounts and balance sheet of a local authority provider may only cover the extent to which they relate to the provision of social housing.
- 4 These powers may be exercised in relation to a registered charity only if the charity has received public assistance. The term "public assistance" is defined in section 274 of the Act, but in summary, it means that the registered charity must have received certain specified loans or grants from public sources or had property transferred to it by a local authority. An inquiry into a registered charity may only relate to its social housing activities. An extraordinary audit of the revenue accounts of a registered charity may only cover the extent to which they relate to its social housing activities. If an inquiry is held into a registered charity, the regulator will notify the Charity Commission in accordance with section 209 of the Act.
- 5 During the course of an inquiry, the inquirer may consider the affairs of a body which at the relevant time was a subsidiary or associate of a registered provider. The terms "subsidiary" and "associate" are defined in section 271 of the Act, but in summary, they include any organisation falling within the meaning of "subsidiary" in either the Companies Act 2006 or the Co-operative and Community Benefit Societies Act 2014; any organisation where the provider has the power to appoint or remove all or a majority of the board of directors; or any organisation where the provider holds more than half in nominal value of the company's equity share capital.

Background and context to the use of the powers

- 6 The registered provider is responsible for ensuring that the organisation is properly governed, is viable, and achieves the standards set by the regulator. In circumstances where the affairs of a registered provider may have been mismanaged, it may be necessary for the regulator to step in and use the power to hold an inquiry. An extraordinary audit may be required as part of an inquiry. The regulator will commission the inquiry and appoint one or more inquirers. Although the regulator must appoint one or more independent persons to conduct the inquiry, the inquiry is conducted on behalf of the regulator, with the inquirer(s) presenting findings on matters specified by the regulator, which may include making recommendations. The report of a statutory inquiry will be considered by the regulator, which will decide on any action that may need to be taken, including the possible use of any of its powers.

Potential triggers to the exercise of the power

- 7 Sections 206 to 209 of the 2008 Act specifies that the regulator may hold an inquiry if it suspects that the affairs of a registered provider may have been mismanaged. The term "mismanaged" in relation to the affairs of a provider is defined in section 275 of the 2008 Act as:
- managed in contravention of a provision of Part two of the 2008 Act or of anything done under Part two of the Act
 - otherwise conducted improperly or inappropriately.
- 8 The regulator is most likely to exercise the power to hold an inquiry in circumstances where it suspects mismanagement, for example:
- there may have been a failure against one or more economic standards
 - there may have been a failure against one or more consumer standards where there are reasonable grounds to suspect there has been or there is a risk of a serious detriment to tenants
 - the registered provider may have failed to honour its commitments set out in a voluntary undertaking
 - the registered provider may have failed to comply with an Order or Direction made by the regulator or to resolve problems that led to previous regulatory interventions
 - the registered provider may have been involved in activities that might endanger the security or interests of tenants or put the social housing funds or assets of the provider at risk
 - the registered provider may have been involved in the misuse or misapplication of public, charitable or other assets or funds

- there may have been a failure to operate within the registered providers constitution, governing instrument or standing orders, which has been detrimental to the provider, its tenants or its operations
- the registered provider may have knowingly given false information to the regulator or to other organisations
- the registered provider may have been involved in persistent unlawful discrimination or other breaches of legislation
- the registered provider may have been involved in unlawful or unacceptable conflicts of interest, including breaches of charity law
- the shareholding membership of a non-profit private provider may have failed to act in the best interests of the provider or of its tenants.

This is not an exhaustive list and the regulator may conclude that it is necessary to exercise the power in other circumstances to those set out above.

9 The regulator is most likely to exercise the power to hold an extraordinary audit in circumstances where it considers that:

- there may have been a material mis-statement in the accounts
- the accounts have been qualified
- a PRP's solvency is in doubt
- there may have been a fraud
- auditors have raised matters of serious concern, for example in their management letter

The powers

Who can conduct an inquiry?

10 An inquirer must be independent of the regulator. An inquirer is deemed to be independent in circumstances where they and the members of their family:

- are not members, employees or consultants of the regulator
- have not been members or employees of the regulator within the previous five years.

11 The term "consultant" is defined in section 206 of the 2008 Act as an individual providing a service to the regulator otherwise than by virtue of employment with the regulator or an appointment as an inquirer. For the avoidance of doubt, the regulator takes this to mean that an individual consultant who is providing services to the regulator when the regulator decides to hold an inquiry cannot be appointed as an inquirer; however an individual consultant who has provided services to the regulator previously and who has completed the work associated with that commission may be appointed as an inquirer.

- 12 The regulator will appoint an inquirer on the basis of the skills and experience required in the circumstances of each individual case.

Process

- 13 The process for an inquiry is set out in detail below.

Costs

- 14 The regulator will meet the cost of the inquiry on terms to be agreed with the inquirer. Section 207 of the 2008 Act specifies that a local authority may contribute to the cost of any inquiry should it wish to do so.

Extraordinary audit

- 15 Section 210 of the 2008 Act specifies that where an inquiry is being held, or has been held, the regulator may require the registered provider to allow its accounts and balance sheet to be audited by a qualified auditor appointed by the regulator.

Who can conduct an extraordinary audit?

- 16 The 2008 Act defines the term “qualified auditor” as a person eligible for appointment as auditor of the provider’s ordinary accounts. The regulator will ensure that the auditor is qualified for the intended purpose of the extraordinary audit.

Process

- 17 The auditor will be appointed and briefed by the regulator. The provider subject to the inquiry, and others, will be notified in the same way as for an inquiry. See sections of this guidance headed appointing an inquirer, briefing an inquirer and notification of an inquiry. The regulator will determine the matters to be audited during the extraordinary audit and the form of the report and will agree a work plan, timetable and costs of the extraordinary audit with the auditor. On completion of the extraordinary audit, the auditor will report to the regulator on such matters and in such form as determined by the regulator.

Costs

- 18 The 2008 Act specifies that the provider subject to the inquiry must pay the costs of the extraordinary audit including the auditor’s remuneration (section 210 (5)).

Appointing an inquirer

- 19 Before appointing an inquirer, the regulator will seek proposals from the prospective inquirer in relation to the possible methodology, likely time input and fees, overall timetable as well as estimated cost. The prospective inquirer will be asked to identify any additional support that is needed to facilitate the inquiry including professional services. The regulator will consider the prospective inquirer’s proposals and will direct the parameters for the inquiry, including the proposed methodology; the likely time input by the inquirer; the likely time input by other professional services; spending limits for specific items; overall timetable; overall budget; format, content and frequency of reports.

- 20 The regulator will appoint one or more individuals as inquirers, and they will conduct the inquiry. The regulator will ensure that the inquiry has access to all the skills necessary to meet the inquiry brief, including, where appropriate, specialists such as lawyers or forensic auditors. The regulator and the inquirer will consider the most appropriate method of procuring the services of such individuals: they may be appointed as an additional inquirer; alternatively the inquiry may choose to buy in their services. Where the inquiry buys in services, the persons providing the service will not be an inquirer, but will undertake work for and on behalf of the inquiry under the direction of the inquirer. In all such cases, the regulator will approve the terms under which such individuals are appointed, including fee levels and the budget for the work to be undertaken. The regulator will ensure that the inquirer, and persons or organisations providing services to the inquiry do not have any actual or potential conflicts of interest which might be prejudicial to their involvement. The regulator may appoint an additional inquirer during the course of an inquiry if it is necessary to do so.
- 21 The regulator will nominate a named member of staff to commission the inquiry on its behalf and to fulfil the client role to the inquiry. The regulator will also nominate a named member or members of staff as the main point or points of contact between the regulator and the inquirers, and, where necessary, between the regulator and the provider during the course of the inquiry. The regulator may also provide administrative support or other facilities to the inquiry. Where such support is in place, the member of staff providing it will not be the same person as one of the nominated points of contact.

The inquiry

- 22 An inquirer is independent of the regulator, but conducts the inquiry on behalf of the regulator. The inquirer:
- shall determine the procedure for an inquiry
 - may make interim reports
 - shall make a final report on matters specified by the regulator.
- 23 Section 208 of the 2008 Act sets out the powers of an inquirer in relation to evidence. In summary, these are:
- to require a person to provide specified documents or information. The regulator would expect a registered provider, or its agents, to produce information and documents when requested to do so by the inquirer. The inquirer may by notice require the information and documents to be produced. The notice will specify the document or information required, the form and manner in which the document is to be provided and when and where the document or information is to be provided. This power applies to the documents and information set out under sections 107 and 108 of the Act, and a failure to comply with such a requirement is subject to the same sanctions that are available under those sections. Further advice and guidance about the regulator's approach to this power is set out in the relevant guidance note.

- such a notice might require evidence to be given on oath and the inquirer may administer oaths for that purpose.
- to take evidence on oath.
- serve a notice on an appropriate person directing him or her to attend the inquiry at a specified time and place in order to give evidence or produce specified documents in their control or custody that are relevant to the inquiry..

The inquiry brief

24 The regulator will draft the brief for the inquiry. The contents will vary depending on the circumstances of the case. This is not an exhaustive list, but the brief will include:

- the regulator's powers
- the inquirer's powers, responsibilities and duties
- the general approach to the conduct of the inquiry
- information about the registered provider and its operations
- background to the regulator's concerns
- the regulator's principal concerns
- the parameters of the inquiry including the specific matters and time period that is to be investigated
- the timetable for the inquiry
- financial considerations
- the arrangements for reporting to the regulator, including any requirement by the regulator to provide interim reports
- the regulator's expectations of the inquirer
- how success against the brief will be monitored and measured
- any other matters that the regulator may consider to be relevant to a particular inquiry.

25 The regulator will keep the brief under very close review during the course of the inquiry. If it becomes necessary to amend or extend the brief or allow additional time for the inquiry, the regulator will agree a revised brief to the inquirers and provide a copy to the registered provider.

Briefing the inquirer

26 The regulator will provide both written and oral briefings to the inquirer covering both the inquiry process and key background on the registered provider. The inquirer will be given all relevant information and documents about the provider's affairs and the specific areas for investigation that it is aware of or has in its possession. Since the circumstances of and the reasons for an inquiry will vary from case to case, it is not possible to provide an exhaustive list of documents. The following material is likely to be made available to the inquirer, depending on the nature of the provider:

- the registered provider's constitution
- the most recent audited accounts and auditor's management letter
- business plan
- financial returns provided to the regulator
- performance information and compliance statement provided to the regulator
- any relevant voluntary undertaking given to the regulator
- the most recent regulatory judgement or notice produced by the regulator
- the most recent annual viability review produced by the regulator
- key correspondence between the regulator and the registered provider
- any documents directly relevant to the matters to be investigated
- any other relevant background material.

Notification of an inquiry

27 Depending on the nature of the issues that are subject to an inquiry, it may not be possible to give a registered provider advanced notice of the decision to undertake an inquiry. However, the regulator will notify the provider in writing and may also arrange a meeting to explain the reasons for the inquiry, the process that will be followed and the anticipated timetable. The notification will usually include:

- a copy of the order appointing the inquirer
- the brief for the inquiry
- the powers of the inquirer
- a copy of these guidance notes
- the terms of any public statement that the regulator requires the provider to make
- a draft news release to announce the inquiry
- the proposed lines of communication between the regulator and the registered provider.

28 The registered provider will be asked to notify its key stakeholders. The regulator will notify other relevant organisations that it has decided to hold an inquiry. These may include:

- MHCLG, the Financial Conduct Authority or the Charity Commission, as appropriate

- Homes England or GLA, as appropriate
- a local authority in its capacity as the strategic housing authority for any area in which the provider operates where the inquiry is into the affairs of a PRP
- an appropriate body that represents the provider
- secured creditors.

The regulator will keep relevant organisations informed of the progress of the inquiry as necessary. In doing so it will seek to balance the expectations of such organisations to be properly and fully informed against the disclosure of qualified, sensitive or privileged material.

- 29 The regulator will issue a news release to announce the inquiry. The registered provider will usually be given an opportunity to comment on the factual accuracy of any such news release.

Conduct of an inquiry

- 30 It is for the inquirer working to the brief and within the parameters, timetable and budget set by the regulator to determine the procedure for the conduct of the inquiry. The inquirer is expected to establish matters of fact relating to the particular matters under investigation. If any matter of concern not within the brief comes to the inquirer's attention during the course of the inquiry, the inquirer should seek instructions from the regulator on whether or not the matter should be followed within the inquiry. If the regulator agrees, it will issue a revised brief to the inquirer and to the provider.
- 31 The inquirers have wide-ranging powers to obtain information and documents from the provider, its subsidiaries, from associated organisations and from current and former officers, members, employees and agents including any professional advisers or persons acting for or on behalf of the provider. Any person failing to comply with such an Order from the inquirers is liable to be prosecuted. The inquirers may take copies of any books, accounts or documents produced. Where an extraordinary audit is being carried out, inquirers may make an Order for such information with a view to passing it on to the auditor.
- 32 The regulator will expect an inquiry to be conducted in accordance with the principles of natural justice. The inquirers may interview anyone who may have been involved in the matters under investigation. Any person interviewed may, if he or she wishes, be accompanied by a representative, provided that that person is not also someone who has been or is to be interviewed by the inquirers. Where appropriate, those interviewed may be asked to give evidence under oath, to make a declaration of the truth or to agree and sign written statements. Neither the regulator, nor the inquiry, will pay for any person or their representative to attend the inquiry. No payment will normally be made for loss of earnings or professional fees or out of pocket expenses.

- 33 The inquirer will be asked to provide regular reports on the progress of the inquiry to the regulator, including in particular, progress in terms of timetable and budget. If the inquirer anticipates that the previously agreed timetable or budget is likely to be exceeded, the inquirer should inform the regulator and seek guidance about whether the regulator is minded to grant an extension and/or is prepared to authorise additional expenditure. If the regulator agrees it will issue a revised brief to the inquirer and to the provider.

An interim report

- 34 The inquirer may make one or more interim reports to the regulator, or as required by the regulator. If as a result of an inquirer's interim report, the regulator is satisfied that the affairs of the provider have been mismanaged, the regulator may exercise any of its enforcement powers including those that are available during or following an inquiry. See the separate guidance notes on these powers.

The final report

- 35 Section 207 of the 2008 Act makes provision for the inquirer to make a final report on matters specified by the regulator.
- 36 The regulator will expect the inquirer to send the final report, or relevant extracts, in draft form to any individual who is likely to be criticised in the final report in order to give them the opportunity to respond to those criticisms. A copy of the final report will also be sent to the provider. The inquirer should give the relevant parties a reasonable amount of time to respond. The regulator will expect the inquirer to demonstrate that the views of those individuals responding have been taken into account in making the final report. Where responses are received after the deadline set by the inquirer, it will be a matter for the discretion of the inquirer whether or not they will be taken into account.
- 37 While the form and content of the final report will vary from case to case, in compiling the final report, the regulator will expect the inquirer to record:
- findings about the matters for investigation set out in the inquiry brief
 - the facts of the case
 - the conclusions the inquirer has drawn from those facts, including specific conclusions as to whether or not there has been mismanagement, and, if there has, who was responsible for it
 - any facts about which there was dispute
 - any material conflicts of evidence
 - how the inquirer has taken account of any responses to the draft final report from relevant parties in making the final report.

38 Where the inquirer wishes to make suggestions for improving the performance of the provider or that of providers generally, or wishes to comment on matters outside their brief, these should be discussed first with the regulator and, if agreed, recorded in a separate letter to the regulator.

Consideration of the final report and representations

39 The regulator will consider the facts of the case as set out by the inquirer in the final report. It may not agree with some or all of the inquirer's conclusions or may form different conclusions from the evidence. The regulator may refer the report back to the inquirer at any point in order to seek clarification on, or a supplementary report about, some specific part or parts or the whole of the report. Where this reveals that the report contains an error of fact, the regulator will consider whether the error was sufficiently material to change the findings detailed in the report.

40 The regulator will complete its consideration of the report as soon as it is reasonably practicable to do so. The regulator will notify the provider of the provisional timetable in which it is expected to consider the report. This will include the date of any relevant formal meeting, or meetings and the anticipated deadline for the receipt of any written representations from the provider.

41 The purpose of any formal meeting, or meetings, is to consider all the relevant material and to decide:

- whether the board is satisfied, as the result of an inquiry, that the affairs of the provider have been mismanaged
- if they have been mismanaged, whether any person or group of persons contributed to the mismanagement
- if they have been mismanaged, whether the board is minded to exercise any of its enforcement powers in the Act
- whether the regulator requires the provider to take any remedial action in relation to issues raised in the report.

42 If the regulator concludes that the affairs of the provider have not been mismanaged, or if it is satisfied that only minor remedial action is required, the inquiry will usually be concluded.

- 43 Once the board has made its findings, the provider will be informed as soon as possible in writing, setting out the reasons for the decisions. If the regulator concludes that there has been mismanagement, the regulator will inform the provider and any individuals who appear to have contributed to it. They will also be advised of any enforcement action that the regulator is minded to take. Copies of the final report, or relevant extracts, will be sent to the provider or to individuals or to third parties (referred to subsequently in this guidance as "relevant persons") and they will be invited to make representations to the regulator. Any such invitation is entirely at the discretion of the regulator, and will only be extended to an individual or an organisation that appears to the regulator to have a direct and relevant interest in the governance, management and operations of the provider.
- 44 The regulator would usually expect the relevant persons to make written representations. In addition, the regulator may be prepared to consider oral representations made in person. The purpose of the representations is to offer the relevant persons an opportunity to correct matters of fact or to refute the contents of the final report.
- 45 Where the relevant persons wish to make written representations they will be asked to submit them by a specified deadline. It is in the best interests of the relevant persons to provide material by the deadline since this will give the regulator sufficient time to give it careful consideration before the meeting. Where representations are received after the deadline, the regulator will use its best endeavours to take it into account, but it cannot guarantee to do so. The regulator will not usually grant requests for additional time to submit written representations, although it may be prepared to do so if exceptional circumstances can be demonstrated.
- 46 Where the regulator is prepared to consider oral representations, the relevant persons will be invited to do so at a formal meeting. The regulator will not usually grant requests to postpone such a meeting, although it may be prepared to do so in exceptional circumstances. The regulator may set a time limit for the provider, the individual or the third party to make their representations.
- 47 Anyone making oral representations may be accompanied by a legal adviser or other representative if they so wish, provided that the person has not previously been interviewed by the inquirers, and the regulator has been notified in advance that they will be attending. The regulator will not pay for any person or their representative to attend the meeting. No payment will be made for loss of earnings, or professional fees or out of pocket expenses, other than if exceptional circumstances can be demonstrated.
- 48 The regulator will determine how a meeting at which oral representations are to be made is to be conducted. The regulator may arrange for a verbatim transcript of the representations to be made. If it does so, a copy will be sent to those making the representations or their representatives. When the regulator is satisfied that the relevant persons have had a reasonable opportunity to state their case, it will conclude its consideration of the report in private session. The regulator will notify the relevant persons of the outcome of the board meeting, including the reasons for its decision, as soon as it is practicable to do so.

- 49 At the conclusion of the inquiry, the provider, and all the organisations notified of the start of the inquiry will be notified of the conclusions reached and any action taken by the regulator.

Publication of an inquiry report

- 50 Section 207 of the 2008 Act sets out the regulator's power to publish all or part of an interim or final report. While the regulator is, in principle, committed to publishing all inquiry reports in full, it recognises that some reports may contain material where publication might not be in the public interest or might compromise the safety of individuals or might deter others from coming forward with information. The regulator will always consider whether publication is in the public interest. If it is, the regulator will consider the most appropriate form for publication which could be:

- the full report
- a summary of the report
- any representations made by the provider or by any individual.

- 51 Where the regulator does intend to publish material, it will notify the provider and any relevant individuals of its intention to do so. The regulator will issue a news release to announce the publication of the report.

Expectations

What an inquirer can expect from the regulator

- 52 The regulator will:
- brief the inquirer and agree appropriate contractual arrangements, including as to costs, for the inquiry
 - agree appropriate liaison and reporting arrangements with the inquirer
 - consider reports on the progress of the inquiry and respond in a timely manner to any requests for amendments to the inquiry brief
 - give reasonable consideration to any requests made by the inquirer
 - pay due regard to the standards in public life and the regulator's economic objectives, to avoid the imposition of an unreasonable burden (directly or indirectly) on public funds, and to guard against the misuse of public funds.

What the regulator expects from an inquirer

53 During the course of the inquiry, the regulator expects the inquirer to:

- carry out the inquiry in accordance with the brief and this guidance
- strive to ensure that the inquiry is completed within the timetable and costs agreed with the regulator
- ensure that parties are given a fair opportunity to correct or contradict any relevant statement prejudicial to their interests
- conduct the inquiry fairly, expeditiously and proportionately in accordance with the rules of natural justice and without incurring unreasonable expenditure
- agree the nature and cost of the involvement of any support staff and other professional staff with the regulator at the outset, and in advance of any such expenditure being incurred
- to provide value for money and “best value” in conducting the inquiry
- at all times to be mindful that the regulator is a public body, and that the regulator's economic objectives include the need to avoid the imposition of an unreasonable burden (directly or indirectly) on public funds, and to guard against the misuse of public funds

What the regulator expects from the provider

54 During the course of the inquiry, the regulator expects officers, members, staff and agents of the provider to:

- co-operate fully with the inquiry
- respond positively and in a timely manner to all reasonable requests from the inquirers
- comply with any timetable set by the inquirer
- co-ordinate its communications strategy on all matters relating to the inquiry with the regulator, and to give the regulator the opportunity to comment on the content and timing of any news releases or other public statements
- at all times to be mindful that the regulator's economic objectives include the need to avoid the imposition of an unreasonable burden (directly or indirectly) on public funds, and to guard against the misuse of public funds.

Direction to the Homes and Communities Agency

- 55 Under section 100G the 2008 Act, one of the circumstances in which the regulator may direct Homes England not to give financial assistance to a specified registered provider (either under section 19 or in connection with social housing) is where the regulator has decided to hold an inquiry into the affairs of the registered provider under section 206 (and the inquiry is not concluded). The regulator will review its approach on a regular basis until the inquiry is concluded. Further advice and guidance about the regulator's approach to the use of the power to direct Homes England is set out in the relevant guidance note.

Direction to the Greater London Authority

- 56 Under the Greater London Authority Act 1999 section 333ZG, in circumstances where the regulator has decided to hold an inquiry, it may give a Direction to the Greater London Authority (GLA) which prohibits the GLA from giving financial assistance to the provider. In circumstances where it has decided to hold an inquiry, the regulator will also consider whether to issue such a Direction to the GLA. The regulator will review its approach on a regular basis until the inquiry is concluded. Further advice and guidance about the regulator's approach to the use of this power to direct the GLA is set out in the relevant guidance note.

Powers exercisable during or following an inquiry

- 57 The 2008 Act gives the regulator a range of powers which can only be exercised during or following an inquiry. The powers are to:
- direct a transfer of management (sections 249 and 250)
 - direct a transfer of land (sections 253 and 254)
 - make and execute an instrument of amalgamation for a Registered Society (section 255)
 - direct restrictions on dealings, including the powers to suspend or remove an officer, employee or agent of a provider, to direct a bank not to part with money or security and to restrict payments and transactions (sections 256 to 265)
 - to censure a local authority employee (Order and sections 269A and 269B).

Further advice and guidance about the regulator's approach to the use of these powers is set out in the relevant guidance notes.

- 58 The regulator may decide to exercise any of its enforcement or general powers during or following an inquiry. Further advice and guidance about the regulator's approach to the exercise of these powers is set out in the relevant guidance notes.

Guidance Note 9

Guidance on sections 219 to 225: enforcement notices

Purpose

- 1 This document gives general advice and guidance on how the regulator proposes to exercise the power on enforcement notices. This is an enforcement power and is set out in Chapter 7, sections 219 to 225 of the 2008 Act.

Scope

- 2 The power may be exercised in relation to all providers including a non-profit registered provider, a for-profit registered provider and a local authority provider.

Background and context to the use of the power

- 3 A provider is responsible for ensuring that it manages itself effectively, achieves the standards set by the regulator, and engages positively with the regulator's regulatory framework. Where a failure against a standard or other problem has been identified, the regulator expects providers to respond in a prompt and effective manner. It may be necessary for the regulator to step in and exercise this power when a provider fails to do so.

Potential triggers to the exercise of the power

- 4 Section 220 of the HRA 2008 includes 11 specific circumstances in which the regulator may exercise the power of enforcement notices. They are:
 - 4.1. where the registered provider has failed to meet an economic standard or failed to meet a consumer standard and there are reasonable grounds to suspect there has been or there is a risk of serious detriment to tenants
 - 4.2. where the affairs of the registered provider have been mismanaged
 - 4.3. where the registered provider has failed to comply with an earlier enforcement notice
 - 4.4. where the registered provider has failed to publish information in accordance with a requirement under section 228(3) or 240(3) of the HRA 2008
 - 4.5. where the interests of tenants of the registered provider require protection
 - 4.6. where the assets of the registered provider require protection
 - 4.7. where the registered provider has given an undertaking under section 125 of the HRA 2008 and failed to comply with it
 - 4.8. where the registered provider has failed to pay an annual fee under section 117(2) of the HRA 2008

- 4.9. where an offence under Part 2 of the HRA 2008 has been committed by a registered provider
- 4.10. where the registered provider has failed to comply with an Order made by an ombudsman appointed by virtue of section 124 of the HRA 2008
- 4.11. where the registered provider has failed to comply with relevant provisions of the Welfare Reform and Work Act 2016 or with regulations made by the SoS under the WRWA.

5 Except in cases where urgent action is required, the regulator will attempt to secure the voluntary agreement of the provider to take the necessary action before issuing an enforcement notice. In reaching a decision to issue a notice, the regulator will have regard to the willingness, capacity and resources available to the provider to undertake the necessary action.

Process

6 Where the regulator considers that the circumstances may require use of the power, it will advise the provider accordingly and seek information on the provider's intended response. The regulator will take account of this intended response in considering whether an enforcement notice is needed. If the regulator considers that an enforcement notice is required it will be issued in writing to the provider.

7 When issuing an enforcement notice the regulator will:

- specify the grounds on which an enforcement notice is given
- specify the action the regulator requires the registered provider to take
- specify when the action is to be taken
- specify what information the registered provider must provide to the regulator to demonstrate that the required action has been completed
- explain that a registered provider who is given an enforcement notice may appeal to the High Court
- explain that the regulator may withdraw the enforcement notice by giving notice to the registered provider
- explain that if a registered provider does not comply with the enforcement notice the regulator may consider exercising other regulatory or enforcement powers.

8 The regulator expects the provider to:

- take prompt and effective action in accordance with the Direction in the enforcement notice
- provide evidence to demonstrate its achievement of the actions specified in the notice
- co-operate fully with the regulator
- co-ordinate its communications strategy on all matters relating to enforcement with the regulator, and to give the regulator the opportunity to comment on the content and timing of any news releases or other public statements.

Notification

9 When the regulator issues an enforcement notice it will send a copy of it to:

- [Homes England](#)
- the GLA where it relates to a registered provider owning land in Greater London
- the SoS where it relates to a local authority provider.

Guidance Note 10

Guidance on sections 226 to 235: penalties

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power on penalties. This is an enforcement power and is set out in Part 2 Chapter 7 sections 226 to 235 of the 2008 Act.

Scope

- 2 The power may be exercised in relation to a non-profit registered provider, or a for-profit registered provider. It may not be exercised in relation to a local authority.

Background and context to the use of the power

- 3 This power allows the regulator to penalise failure on the part of registered provider by the imposition of fines.

Potential triggers to the exercise of the power

- 4 Section 227 of the HRA 2008 includes seven specific circumstances in which the regulator may exercise the power on imposing penalties. They are:
 - 4.1 where the registered provider has failed to meet an economic standard or failed to meet a consumer standard and there are reasonable grounds to suspect there has been or there is a risk of serious detriment to tenants
 - 4.2 where the affairs of the registered provider have been mismanaged
 - 4.3 where the registered provider has failed to comply with an enforcement notice
 - 4.4 where the registered provider has given an undertaking under section 125 of the HRA 2008 and failed to comply with it
 - 4.5 where the registered provider has failed to pay an annual fee under section 117 (2) of the HRA 2008
 - 4.6 where an offence under Part 2 of the HRA 2008 has been committed by a registered provider
 - 4.7 where the registered provider has failed to comply with relevant provisions of the Welfare Reform and Work Act 2016 or with regulations made by the Secretary of State (SoS) under the WRWA.

- 5 In considering whether to penalise a provider, the regulator will take into account all relevant circumstances of the case, including the provider's financial position and any potential detrimental imposition on its tenants. It will also consider whether a penalty is the most appropriate response in each case, or if it should use one or more of its other powers.

Process

Warning

- 6 Before a penalty notice is issued, the regulator will give the provider a 'pre-penalty warning'. This will warn the provider that the regulator is considering imposing a penalty and will set out the grounds on which the regulator believes the penalty can be imposed.
- 7 The pre-penalty warning will include any details the regulator is able to give concerning the likely amount of the penalty. It will provide details of how the provider can make representations to the regulator. It will indicate whether or to what extent the regulator would accept a voluntary undertaking instead of, or in mitigation of, a penalty. The warning will also include details of the enforcement of the proposed penalty.
- 8 The pre-penalty warning will be copied to Homes England and in addition to the GLA where it relates to a provider owning land in Greater London and any other persons the regulator thinks appropriate, in particular any person who provided information as a result of which the pre-penalty warning is being issued.

Representations

- 9 The regulator will specify a period in the pre-penalty warning during which the provider may make representations concerning the imposition of the proposed penalty or its amount. This period will be of at least 28 days and will begin on the date the pre-penalty warning is received by the provider. The regulator will normally send such notices by recorded delivery and will work on the basis that the provider receives the documents the day after they are sent. At the end of the period, the regulator will consider any representations and decide whether to impose the penalty.

Imposition

- 10 A penalty is imposed by the regulator giving a penalty notice to the provider. The notice will set out the grounds on which the penalty is imposed, the amount, payment method, payment period, the interest to be charged on any late payment and the means of appeal. The notice may require the provider to publish information about the penalty and may set out the manner of that publication.

Notifying the GLA and Homes England

- 11 When a penalty is imposed the regulator will send a copy of it to the GLA where it relates to a provider owning land in Greater London. The regulator will also send a copy of the penalty to Homes England.

Amount

- 12 Penalties for an offence under Part two of the HRA 2008 may not exceed the maximum amount of fine that a magistrates' court could impose for the relevant offence, and the notice will confirm that the penalty falls within the current limit. For all other instances the penalty imposed may not exceed £5,000 or other maximum amount as ordered by the SoS.

Destination

- 13 Money received by way of a penalty will be paid to the Regulator. In accordance with section 233 the regulator may deduct such a sum as represents the direct costs to the regulator of imposing and enforcing the penalty and a reasonable share of expenditure by the regulator which is indirectly referable to the imposition and enforcement of the penalty. The regulator will establish and publish a methodology for calculating these deductions. Any excess shall be paid to Homes England in accordance with the Act.

Enforcement

- 14 The penalty will be treated as a debt owed to the regulator. If payment is not made by the date specified in the notice the regulator may charge interest on the debt from that date and may impose one or more additional penalties in accordance with any regulations that may be made by HM Treasury.
- 15 The regulator may include a provision in the penalty notice allowing a discount if the penalty is paid on or before the specified date. The regulator will establish and publish a methodology for calculating any discounts.

Appeal

- 16 The regulator has developed a protocol which allows a provider to appeal against its decisions on the use of some enforcement powers. In addition, a provider who is given a penalty notice may appeal to the High Court against the imposition of the penalty, its amount, or both.

Guidance Note 11

Guidance on sections 236 to 245: compensation

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power on the award of compensation. This is an enforcement power and is set out in Part 2 Chapter 7 sections 236 to 245 of the 2008 Act.

Background and context to the use of the power

- 2 This power allows the regulator to award compensation to a tenant of a failure on the part of a registered provider.

Potential triggers to the exercise of the power

- 3 Section 237 of the HRA 2008 includes three specific circumstances in which the regulator may exercise the power on awarding compensation. They are:
 - 3.1. where the registered provider has failed to meet an economic standard or failed to meet a consumer standard and there are reasonable grounds to suspect there has been or there is a risk of serious detriment to tenants
 - 3.2. where the registered provider has given an undertaking under section 125 of the HRA 2008 and failed to comply with it
 - 3.3. where the registered provider has failed to comply with relevant provisions of the Welfare Reform and Work Act 2016 (WRWA) or with regulations made by the SoS under the WRWA.
- 4 The regulator is most likely to find it appropriate to exercise the power in circumstances where a breach of the standards has resulted in serious detriment to a tenant, or tenants, as a result of a failure against a standard, or if the provider has failed to pay compensation that has been awarded by an ombudsman.

Scope

- 5 The power may be exercised in relation to a non-profit registered provider or a for-profit registered provider. It cannot be applied to a local authority.
- 6 Awards of compensation may be made to persons who have suffered as a result of the failure provided that they are tenants of the provider.
- 7 If the housing ombudsman has already awarded compensation to a particular person on a particular matter, the regulator may not award compensation to that person on that matter unless the provider has not made the payment directed by the ombudsman.

Process

Warning

- 8 Before a compensation notice is issued, the regulator will give the provider a 'pre-compensation warning'. This will warn the provider that the regulator is considering awarding compensation and will set out the grounds on which the regulator believes the compensation can be awarded.
- 9 The pre-compensation warning will include any details the regulator is able to give concerning the likely amount of the award. It will provide details of how the provider can make representations to the regulator. It will indicate whether or to what extent the regulator would accept a voluntary undertaking instead of, or in mitigation of, an award. The warning will also include details of the enforcement of the proposed award. Before issuing a pre-compensation warning, the regulator will consult with the relevant ombudsman.
- 10 The pre-compensation warning will be copied to Homes England and additionally to the GLA where it relates to a provider owning land in Greater London and any other persons the regulator thinks appropriate, in particular any person who provided information as a result of which the pre-compensation warning is being issued.

Representations

- 11 The regulator will specify a period in the pre-compensation warning during which the provider may make representations to the regulator concerning the proposed award of compensation or its amount. This period will be of at least 28 days and will begin on the date the pre-compensation notice is received by the provider. At the end of the period, the regulator will consider any representations and decide whether to impose the compensation.

Award of compensation

- 12 Compensation is awarded by the regulator giving a compensation notice to the provider and the person(s) to be compensated. The regulator will establish and publish a methodology for determining when an award of compensation would be appropriate and for setting the level of compensation to be awarded.
- 13 The notice will set out the grounds on which the award is made, the amount, to whom it must be paid, the payment period, the interest to be charged on any late payment and the means of appeal. The notice may require the provider to publish information about the award and may set out the manner of that publication.

Impact

- 14 When considering whether to award compensation or the amount of compensation to be awarded, the regulator will take account of information it has on the financial situation of the provider and the likely impact of the award on the provider's ability to provide services.

Guidance on the regulator's approach to intervention, enforcement and use of powers

- 15 The regulator will aim to avoid jeopardising the financial viability of the provider, preventing the provider from honouring financial commitments or preventing the provider from taking action to remedy the matters on the grounds of which the compensation might be awarded.

Enforcement

- 16 The award will be treated as a debt owed to the person to whom it is awarded. If payment is not made by the date specified in the notice, the regulator may charge interest on the debt from that date and may impose additional compensation.

Appeal

- 17 The regulator has developed a protocol which allows a provider to appeal against its decision on the use of some enforcement powers. In addition, a provider who is given a compensation notice may appeal to the High Court against the award of compensation, its amount, or both.

Guidance Note 12

Guidance on sections 251 to 252: appointment of manager

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power of appointment of a manager. This is an enforcement power and is set out in Part 2 Chapter 7 sections 251 to 252 of the 2008 Act.

Scope

- 2 The power may be exercised in relation to non-profit registered providers and for-profit registered providers. It may not be exercised in relation to a local authority provider.

Background and context to the use of the power

- 3 A provider is responsible for ensuring that it manages itself in accordance with any applicable legal requirements, meets the standards set by the regulator, and engages positively with the regulator's regulatory framework. In some circumstances it may be necessary to appoint a manager to a provider.

Potential triggers to the exercise of the power

- 4 The HRA 2008 sets out three specific circumstances in which the regulator may exercise this power. These are:
 - 4.1. where the registered provider has failed to meet a standard
 - 4.2. where the affairs of the registered provider have been mismanaged in relation to social housing – “mismanagement” in relation to the affairs of a registered provider is defined in section 275 of the HRA 2008 as managed in breach of any legal requirements (imposed by or under an act or otherwise)
 - 4.3. where the registered provider has failed to comply with relevant provisions of the Welfare Reform and Work Act 2016 or with regulations made by the SoS under the WRWA.
- 5 The regulator is most likely to exercise the power in circumstances where there has been a failure to meet a standard or the affairs of the provider have been mismanaged and the regulator considers that the provider:
 - is facing critical financial viability problems that require urgent action to remedy and/or
 - is failing to adequately address serious deficiencies in the delivery of services where there are reasonable grounds to suspect there has been or there is a risk of serious detriment to some or all of a provider's tenants.

- 6 Key factors in a decision to appoint a manager will include the regulator's assessment of the seriousness of the problem, the need for additional professional support, and the provider's willingness and ability to take effective action without the need for the regulator to use this power.

Appointment process

- 7 Before making an appointment, the regulator will give the provider a warning notice. This notice will explain that the regulator is considering exercising this power, set out the grounds on which that action is proposed and explain its effects. The warning notice will specify a period during which the provider may make representations to the regulator. That period will commence on the date the registered provider receives the notice and will be for no less than 28 days. The regulator will normally send such notices by recorded delivery and will work on the basis that the documents are received by the provider the day after they are sent.
- 8 The warning notice will indicate whether or to what extent the regulator would accept a voluntary undertaking instead of, or in mitigation of, the appointment of a manager.
- 9 The regulator will send a copy of the warning notice to Homes England and additionally the GLA where it relates to a provider owning property in Greater London and any other persons the regulator thinks appropriate, in particular any person who provided information as a result of which the warning notice is issued.

Terms of appointment

- 10 The regulator will normally require the registered provider to appoint the manager. In exceptional cases, for example where it has serious concerns about the performance of the governing body, the regulator may appoint the manager itself.
- 11 Managers will be individuals, rather than corporate bodies, although the individual may work for a corporate body. The individual will be selected by the regulator on the basis of relevant professional experience. The appointment may relate to the provider's affairs generally in regard to social housing or in relation to a specific aspect of social housing.
- 12 The manager's terms and conditions (including remuneration, which will be paid by the provider) will be specified by the regulator and included in the notice of appointment. In setting the remuneration level, the regulator will have regard to market rates for the specified work and the financial circumstances of the provider.
- 13 The manager will have any power specified in the notice of appointment and any other additional power he or she requires to achieve the purposes of the appointment. Where the manager considers that additional powers are required he or she will discuss and agree these with the regulator.
- 14 The regulator may require the manager to report to it on the affairs specified in the appointment notice.

Notification to the GLA and Homes England

- 15 When a manager is appointed, the regulator will notify the GLA where the appointment relates to a provider owning property in Greater London. Under s252, the regulator will also notify Homes England of an appointment or requirement under section 251(2).

Appeal

- 16 The regulator has developed a protocol which allows a provider to appeal against its decision on the use of some enforcement powers. In addition, a provider may appeal to the High Court against the appointment of a manager or a requirement to appoint.

Guidance Note 13

Guidance on sections 253 and 254: transfer of land

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power relating to the transfer of the land of a registered provider. This is an enforcement power and is set out in Chapter 7 sections 253 and 254 of the 2008 Act. It may be exercised in relation to registered providers with some exceptions, which are set out in the section below on scope.

Scope

- 2 The power may be exercised in relation to a non-profit registered provider which is a registered company or a Registered Society. It cannot be applied to a local authority provider or to a registered charity. It can be applied to a for-profit provider only in relation to its social housing and associated land.

Background and context to the use of the power

- 3 Where the regulator suspects that the affairs of a registered provider may have been mismanaged, the regulator may hold an inquiry in accordance with section 206 of the Act. As part of an inquiry, the regulator may require the provider's accounts and balance sheet to be audited by a qualified auditor appointed by the regulator in accordance with section 210 of the Act. If, as a result of such an inquiry or audit, the regulator is satisfied that the affairs of the provider have been mismanaged in relation to social housing or is satisfied that a transfer of the provider's land would be likely to improve the management of the land, the regulator may require the provider to transfer specified land to the regulator or to another registered provider. Further advice about the regulator's approach to the exercise of the power to hold an inquiry is set out in the relevant guidance note.

The power

The circumstances in which the power can be exercised

- 4 The power can only be exercised as a result of the regulator's conclusions following an inquiry under section 206 of the Act. Under section 254 of the Act, the regulator can only require a provider to transfer land having first obtained the consent of the SoS to both the transfer of that land and to the terms of the transfer.

The transfer

- 5 A transfer of land may be to the regulator or to another specified registered provider. The purpose of a transfer is to ensure that the land will be properly managed. Therefore, a transfer of land is likely to be to another registered provider which has the capability and the capacity to ensure proper management in the future. As a general rule, the regulator will not require transfers of land to be made to the regulator itself. In the unlikely situation that a transfer to the regulator became necessary, the regulator would treat this as a temporary measure pending onward transfer to a registered provider. The regulator can only dispose of land transferred to it under section 253 to a registered provider and, if the original transfer was from a non-profit provider, a disposal must be to another non-profit provider.
- 6 The regulator will select a suitable recipient registered provider for a transfer of land. In making its selection, the regulator will have regard to the quality and management of services to residents provided by the potential recipient, the quality of its governance systems, its financial viability, general regulatory compliance and management and financial capacity.
- 7 A for-profit provider can only be required to transfer its social housing and associated land. Social housing has the meaning given to it by section 68 of the Act. The 2008 Act gives the regulator the power to decide what land belonging to a for-profit provider is associated with social housing. The regulator would expect social housing and associated land to be readily identifiable within the assets of a for-profit provider, and would expect to agree these with the provider at an early stage in any transfer process.
- 8 A non-profit provider can only be required to transfer its land to another non-profit provider. An unregistered charity can only be required to transfer its land to another charity that has similar objects to those of the transferring charity. The 2008 Act gives the regulator the power to decide whether the objects of the two charities are similar. The regulator will consult with the two charities, and will take advice from the Charity Commission as necessary, before making a decision on similarity of objects. This provision does not apply to registered charities.

The terms of transfer

- 9 Section 254 makes provision for determining the price of a transfer of land and the terms on which the transfer takes place. The price at which a transfer will take place will not be less than the amount certified by the District Valuer (to be the amount the land would fetch if sold by a willing seller to another registered provider). The onus is therefore on the District Valuer to prepare a valuation of the land to be transferred and to decide on the appropriate valuation methodology to be applied to reach that valuation. The regulator will commission, and pay for, valuations on transfers of land under section 253. At an early stage in the commission, the regulator will meet with the Valuer and agree the Valuer's information and other requirements for the work necessary to prepare a valuation. The regulator will expect the registered provider to co-operate with the Valuer in supplying relevant information and facilitating access to manual and computerised records, as well as physical assets, in accordance with the Valuer's requirements.

- 10 The terms of a transfer of land under section 253 will be specified by the regulator in the requirement to make the transfer. Those terms must include provision for the payment of any debts or liabilities in respect of the land, whether or not those are secured on the land. The details of the terms will depend on the circumstances of the case, and, in particular, the amount of land to be transferred. Where a transfer of all of a provider's land takes place, the terms of the transfer will make provision for all assets and liabilities of the provider to be passed to the recipient provider. The terms will ensure that the transfer is as close as possible to a complete transfer of engagements, leaving the transferor behind as a shell organisation only. The regulator will make provision for the solvent winding up of the transferor to be undertaken as soon as is practicable after the transfer has been completed. Section 166 of the 2008 Act gives the regulator the power to petition the court for the provider to be wound up under the Insolvency Act 1986 where a transfer of the provider's land has taken place under section 253.
- 11 Where a partial transfer of land takes place, the terms of the transfer will make provision for payment of any debts or liabilities associated with the land being transferred. The regulator expects the provider to co-operate fully in enabling the regulator to identify those debts and liabilities and, where relevant, to agree to also transfer cash or other assets, or an appropriate portion thereof, held by the provider in respect of the land. The regulator will seek to reach an equitable solution in the allocation or apportionment of assets and liabilities and, in particular, will seek to avoid giving preferential treatment to any creditor who is not lawfully entitled to such treatment. The regulator reserves the right to use its power under section 201 to inspect the provider's financial or other affairs to inform the regulator's task of setting the terms of the transfer.
- 12 The regulator recognises the rights of secured creditors in respect of any security held over land that the regulator proposes to transfer from one registered provider to another, and that the secured creditors will need to give their consent to a transfer. The regulator will take appropriate steps with the provider to identify all relevant secured creditors, and will consult with the secured creditors about the proposed transfer and the terms of the transfer.

The consent of the Secretary of State

- 13 The regulator can only require a provider to transfer its land if the SoS has first given consent to the transfer and to the terms of the transfer. The regulator recognises that the decision for the SoS is not the same one as the decision for the regulator and therefore the SoS will need to be fully informed about the details of the case as well as the process followed by the regulator in undertaking its responsibilities. The regulator will agree working arrangements with MHCLG for the handling of any applications for SoS consent.

Consultation

- 14 The 2008 Act does not require the regulator to consult relevant persons in exercising its power under section 253. However, the regulator recognises that it would be appropriate to have regard to a wide range of legitimate interests and is, therefore, committed to as full consultation as is possible with a number of different stakeholders. Those stakeholders may include:

- tenants – the regulator recognises that any situation where land is transferred could cause anxiety for tenants and leaseholders, although their legal rights would not be affected. The regulator will take all steps it can to mitigate that anxiety. The regulator will ensure that tenants are consulted and informed, as far as is reasonably practicable, prior to a final decision on a transfer of land that affects them. The nature of consultation will depend on the circumstances of the case and the timescales involved. It will not be practicable in some situations to make direct contact with each individual tenant. The regulator will use various techniques to consult and inform tenants including where appropriate, liaison with recognised tenant representative groups, appointment of a tenant adviser, telephone helplines, advertisements in local newspapers and tenant meetings.
- secured creditors – the regulator will work closely with the secured creditors throughout the exercise of the power to require a transfer of land.
- Homes England and GLA – the regulator will consult Homes England and the GLA (in relation to providers with land in Greater London) to ensure that the objective of protecting invested public funds is secured as far as possible
- the registered provider – the regulator will ensure that the provider (including its officers and its directors, committee members or trustees) and its senior staff are consulted and informed as appropriate throughout. The regulator expects the provider to co-operate in achieving an effective and timely outcome in the interests of all of its stakeholders.
- the proposed recipient registered provider – the regulator will work closely with the proposed recipient provider throughout the exercise of the power.
- other regulators – the regulator will consult and inform the Financial Conduct Authority, the Charity Commission and the Registrar of Companies as appropriate.
- local authorities – the regulator recognises that local authorities in whose areas a registered provider operates, may have various levels of interest in the provider's affairs. Where a local authority holds security over land to be transferred, its position is the same as other secured creditors as outlined. In some cases a local authority may need to provide consent to a transfer of contracts or undertakings. The regulator will consult with and keep local authorities informed as appropriate to the particular circumstances of each case.
- central government – the regulator will keep relevant persons at MHCLG informed at all stages in the exercise of these powers.

Guidance Note 14

Guidance on section 255: amalgamation of a Registered Society

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power on the amalgamation of a registered society. This is an enforcement power and is set out in Chapter 7 and section 255 of the 2008 Act.
- 2 ~~This power is separate from, and will be used in different circumstances to, the Regulator's power to consent to a (voluntary) amalgamation proposed by two or more providers as set out in various parts of sections 160 to 169 of the Act.~~
- 2 This power can only be used after an inquiry and/or extraordinary audit and this document should be read in conjunction with the guidance on those powers.

Scope

- 3 The power may be exercised only in relation to a non-profit registered provider which is a registered society. It may not be exercised in relation to a for-profit provider, a local authority provider or a non-profit registered provider which is not a registered society.

Background and context to the use of the power

- 4 Where the regulator suspects that the affairs of a registered provider may have been mismanaged, the regulator may hold an inquiry in accordance with section 206 of the Act. As part of an inquiry, the regulator may require the provider's accounts and balance sheet to be audited by a qualified auditor appointed by the regulator (section 210).

Potential triggers to the exercise of the power

- 5 Section 255 of the 2008 Act includes two specific circumstances in which the regulator may exercise the power on amalgamation. They are where, as a result of an inquiry under section 206 or an audit under section 210, the regulator is satisfied that:
 1. the affairs of a non-profit PRP which is a registered society have been mismanaged in relation to social housing, or
 2. the management of social housing owned by a non-profit PRP which is a registered society would be improved if the registered society PRP were amalgamated with another registered society.
- 6 The power can only be exercised as a result of the regulator's conclusions in these two areas following an inquiry under section 206 or an audit under section 210.

- 7 If, as a result of an inquiry or audit, the regulator is satisfied that the affairs of the registered society PRP have been mismanaged in relation to social housing or is satisfied that an amalgamation of the registered society PRP with another registered society would be likely to improve the management of social housing, the regulator may make and execute an instrument on behalf of the registered society PRP which provides for its amalgamation with another registered society.
- 8 Under section 255, the regulator can only make and execute an instrument amalgamating the two registered societies having first obtained the consent of the SoS.

Process

- 9 In considering its findings following a statutory inquiry or extraordinary audit, the regulator will decide whether to exercise the power to amalgamate a registered society.
- 10 The regulator will seek the consent of the SoS to the proposed amalgamation. Following receipt of the consent of the SoS to the amalgamation, the regulator will follow the outline process below in executing the board's decision.
- 11 For ease of reference, in the remainder of this document the provider subject to the statutory inquiry or extraordinary audit will be referred to as PRP1, the provider with which PRP1 will be amalgamated will be referred to as PRP2 and the resultant organisation referred to as PRP3.
- 12 In general, the regulator will expect PRP2 to take the lead on business and operational planning for PRP3. The regulator expects PRP1 to work positively with the regulator and PRP2 in taking the amalgamation forward.
- 13 PRP3 must be a registered society, registered by the regulator and designated as a non-profit registered provider. Pending registration by the regulator, PRP3 shall be treated as registered and designated as a non-profit provider.

Selection of PRP2

- 14 The regulator will select organisation PRP2. In identifying a suitable, willing organisation and making its selection, the regulator will have regard to the quality and management of services to residents provided by potential PRP2 organisations, the quality of their governance systems, their financial viability, general regulatory compliance and management and financial capacity.

Due diligence and business planning

- 15 PRP2 will be expected to conduct due diligence as it sees fit on PRP1.
- 16 PRP2 will be expected to prepare a business plan for PRP3 and to submit that for consideration by the regulator.
- 17 PRP2 will be expected to develop a plan to establish PRP3 and to submit that for consideration by the regulator.

Consultation

- 18 The regulator expects PRP1 and PRP2 to conduct appropriate consultation regarding the amalgamation with their residents, lenders and local authorities in which they work.
- 19 Where necessary PRP1 and PRP2 will need to obtain the formal consent of their lenders to the propose amalgamation.
- 20 The regulator will agree with PRP2 and PRP1 which organisation will undertake which aspects of consultation.

Governing instrument (rules)

- 21 The regulator will invite PRP2 to draft a set of rules for PRP3. These will be expected to be based on the most up-to-date version of model rules for registered societies and will need to be approved by both PRP1 and PRP2. The regulator will provide comments and in principle agreement to the new rules before they are considered by the regulator.

Agreement to the amalgamation by the regulator

- 22 The regulator will receive a report setting out the detail of the proposed amalgamation and covering the outcome of consultation and due diligence, business and operational planning for PRP3, views of lenders and local authorities and the new rules for PRP3. If the regulator agrees to the detail of the proposed amalgamation, it will seek the consent of the SoS to that proposal.

Registration of the amalgamation

- 23 Following receipt of the SoS's consent to the proposal, the regulator will prepare an instrument of amalgamation and send a copy of it to the Financial Conduct Authority (FCA). The copy will be sent for registration within 14 days of the date of execution. A copy registered after that 14 day period is valid. The FCA will register the instrument (the amalgamation does not take effect until it is registered by the FCA). The regulator will advise PRP3 of the FCA's registration of the instrument of amalgamation.

Guidance Note 15

Guidance on sections 256 to 265: powers available during or following an inquiry

Purpose

- 1 This document gives general advice and guidance on the powers that the regulator may exercise during or following an inquiry. These are enforcement powers that are set out in Chapter 7 and sections 256 to 265 of the 2008 Act. These powers do not apply to local authorities.
- 2 These powers can only be used after an inquiry and/or extraordinary audit and this document should be read in conjunction with the guidance on those powers.

Scope

- 3 The powers in sections 256 to 261 may be exercised only in relation to non-profit registered providers. They do not apply to for-profit registered providers or a local authority provider.
- 4 The powers in sections 262 to 265 apply to all registered providers except local authorities.

Background and context to the use of the power

- 5 Where the regulator suspects that the affairs of an registered provider may have been mismanaged, the regulator may hold an inquiry in accordance with section 206 of the Act. As part of an inquiry, the regulator may require the provider's accounts and balance sheet to be audited by a qualified auditor appointed by the regulator (section 210).

Potential triggers to the exercise of the power

- 6 The 2008 Act sets out the circumstances in which the regulator may exercise this power and they are set out below.
- 7 Following receipt of an interim or final inquiry report, the regulator may conclude that it is necessary to use one or more of the powers available.
- 8 In particular, the regulator may conclude that it is necessary to suspend or remove officers, employees or agents of the registered provider in order to ensure the proper conduct of the inquiry and/or the proper management of the provider's functions, including the delivery of services to its tenants. It may also conclude that it is necessary to restrict the dealings of the registered provider in order to protect its assets and the public investment.

- 9 Where a person is removed from their position following a statutory inquiry or extraordinary audit, the regulator may conclude that it would not be appropriate for that person to serve as an officer of another provider and so the regulator may disqualify that person.

The powers

Restrictions on dealings during an inquiry

- 10 Section 256 of the 2008 Act includes two specific circumstances in which the regulator may exercise the power on restrictions on dealings during an inquiry under section 206 of the 2008 Act into a non-profit registered provider. They are:
1. where the regulator has reasonable grounds for believing that the affairs of the non-profit registered provider have been mismanaged and that its assets or the interests of its tenants require protection
 2. where the regulator is satisfied that, as a result of an inquirer's interim report under section 207 of the Act, the affairs of the non-profit registered provider have been mismanaged.

Restrictions on dealings following an inquiry

- 11 Section 257 of the 2008 Act includes two specific circumstances in which the regulator may exercise the power on restrictions on dealings following an inquiry under section 206 of the 2008 Act into a non-profit registered provider. They are:
1. where the regulator is satisfied that, as a result of an inquiry under section 206 of the Act, the affairs of the non-profit registered provider have been mismanaged
 2. where the regulator is satisfied that, as a result of an audit under section 210 of the Act, the affairs of the non-profit registered provider have been mismanaged.

Suspension of officers, employees or agents during an inquiry

- 12 Section 259 of the 2008 Act includes two specific circumstances in which the regulator may exercise the power on suspension during an inquiry under section 206 of the 2008 Act into a non-profit registered provider. They are:
1. where the regulator has reasonable grounds for believing that the affairs of the non-profit registered provider have been mismanaged and that its assets or the interests of its tenants require protection
 2. where the regulator is satisfied that, as a result of an inquirer's interim report under section 207 of the Act, the affairs of the non-profit registered provider have been mismanaged.

Removal or suspension of officers, employees or agents following an inquiry

13 Section 260 of the 2008 Act includes two specific circumstances in which the regulator may exercise the power on removal of suspension following an inquiry under section 206 of the 2008 Act into a non-profit registered provider. They are:

1. where the regulator is satisfied that, as a result of an inquiry under section 206 of the Act, the affairs of the non-profit registered provider have been mismanaged
2. where the regulator is satisfied that, as a result of an audit under section 210 of the Act, the affairs of the non-profit registered provider have been mismanaged

Disqualification of a removed person

14 Section 262 of the 2008 Act includes two specific circumstances in which the regulator may exercise the power on disqualification of a removed person. They are:

1. where a person has been removed under section 260 of the Act
2. where a person has been removed under paragraph 24(2)(a) of schedule 1 of the Housing Act 1996, section 30(1)(a) of the Housing Associations Act 1985 or section 20(1)(a) of the Housing Act 1974 (other similar provisions).

Process

Restrictions on dealings

15 The regulator may order a bank or other person holding money or securities on behalf of the non-profit registered provider not to part with them without the regulator's consent. Before issuing an Order, the regulator will take all reasonable steps to give notice to the non-profit registered provider and the person to whom the Order is made.

16 The Order may restrict:

- the transactions that may be entered into by the non-profit registered provider or
- the nature and amounts of payments that may be made by the non-profit registered provider.

17 The Order may in particular stipulate that transactions or payments may not be entered into or made without the regulator's consent. The regulator may only make an Order in respect of a registered provider that is a registered charity if that provider has received (financial) public assistance.

18 An Order made following an inquiry has effect until revoked by the regulator. An Order made during an inquiry has effect until the end of a period of six months beginning on the day the inquirer's final report is made. The regulator may revoke the Order before that time or extend it for a further period of up to six months.

- 19 The bank or person to whom the Order is made will be informed that if they contravene the Order, they will commit an offence and may be prosecuted.

Suspensions and removals

- 20 During an inquiry, the regulator may, by Order, suspend any officer, employee or agent of the non-profit registered provider who the regulator thinks has contributed to the failure or mismanagement.
- 21 Suspension ceases at the end of the period of six months beginning on the day the inquirer's final report is made. The regulator can revoke the Order before the end of that period.
- 22 Following an inquiry, the regulator may, by Order, remove any officer, employee or agent of the non-profit registered provider who the regulator thinks has contributed to the failure or mismanagement. Pending a decision whether to remove such a person the regulator may suspend them for a specified period of up to six months.
- 23 Before making an Order to remove an officer, employee or agent of the non-profit registered provider, the regulator will take all reasonable steps to give at least 14 days' notice to the person and the registered provider.
- 24 The regulator may only suspend or remove an officer, employee or agent of a registered provider charity if the charity has received public assistance. The regulator will notify the Charity Commission if it suspends or removes an officer, employee or agent of a registered charity.
- 25 Where a person has been suspended or removed the regulator may give directions to the non-profit registered provider about the performance of the suspended/removed person's functions or any other matter arising from the suspension/removal. The regulator may appoint a person to perform the suspended/removed person's functions.

Disqualification

- 26 If a person has been removed (not suspended) as an officer under section 260 they are disqualified from acting as an officer of any registered provider except local authorities (for the avoidance of doubt this covers non-profit registered providers and for-profit registered providers).
- 27 The regulator may waive disqualification either generally or in relation to a particular registered provider or class of registered providers. A waiver will only be granted following an application by the disqualified person. The regulator will notify the person if any aspect of their disqualification has been waived.
- 28 The regulator will maintain a register of disqualified persons that shows the details of any waivers and which is available for inspection by the public.
- 29 If a disqualified person acts as an officer for a registered provider, the person's acts are not invalid by reason of the disqualification only.

- 30 A person who acts as an officer while disqualified is committing an offence and may be prosecuted.
- 31 A person who acts as an officer while disqualified and who receives payment or other benefits from the registered provider may be required by the regulator to repay the sum or a specified amount representing the whole or part of the value of the benefit. If the person fails to comply with a requirement to repay, the non-profit registered provider may recover the sum or specified amount as a debt.

Guidance Note 16

Guidance on sections 266 to 268: removal of officers

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power on the removal of an officer. This is an enforcement power and is set out in Chapter 7 and sections 266 and 267 of the 2008 Act. It may be exercised only in relation to a non-profit registered provider and excludes local authorities
- 2 This document does not cover the power on the suspension or removal of an officer during or following an inquiry, which is set out in sections 259 to 265 of the Act. There is separate advice and guidance on this power.

Scope

- 3 The power may be exercised only in relation to an officer of a non-profit registered provider. It cannot be applied to a local authority provider or to a for-profit registered provider.
- 4 The term “officer” is defined in section 270 of the Act.
- 5 This power may be exercised in relation to an officer of a registered charity only if the charity has received public assistance. The term “public assistance” is defined in section 274 of the Act, but in summary, it means that the registered charity must have received certain specified loans or grants from public sources or had property transferred to it by a local authority.

Background and context to the use of the power

- 6 In general, the regulator expects a provider’s constitution to make provision for removal where an officer fulfils one or more of the criteria specified in the Act, and for the provider to take action against an officer when it is appropriate to do so within the terms of its constitution.

Potential triggers to the exercise of the power

- 7 Section 266 of the 2008 Act includes seven specific circumstances, or cases, in which the regulator may exercise the power on the removal of an officer. The regulator may remove a person who:
 1. has been adjudged bankrupt
 2. has made an arrangement with his or her creditors
 3. is subject to a disqualification Order or a disqualification undertaking under the Company Director’s Disqualification Act 1986 or equivalent legislation in Northern Ireland

4. is subject to an Order under section 429 (2) of the Insolvency Act 1986 relating to disabilities on revocation of a county court administration Order
 5. is disqualified under section 72 of the Charities Act 1993 from being a charity trustee
 6. is incapable of acting by reason of mental disorder
 7. is impeding the proper management of the provider by reason of absence or failure to act.
- 8 The regulator is most likely to step in and exercise this power when a person is impeding the proper management of the provider through absence or failure to act, particularly in circumstances where the regulator considers that:
- the absence of officers means that the governing body fails to hold quorate meetings
 - the failure to act puts at risk the financial viability of the provider or the services to tenants in accordance with the standards set by the regulator.
- 9 The regulator may decide to step in where there is clear evidence one or more of the criteria specified in the 2008 Act applies, and where a provider has not taken action in a timely manner. It may be necessary for the regulator to step in and exercise this power against more than one officer of a provider.

Process

Notice

- 10 Before making an Order under section 266, the 2008 Act requires the regulator to take all reasonable steps to give at least 14 days' notice to both the officer and the provider.
- 11 While it is not required to do so by the Act, in circumstances when it gives notice of removal, the regulator will seek representations from both the officer and the provider and, if any are received, it will take account of them in making its decision.

Appeal

- 12 The regulator has developed a protocol which allows a provider to appeal against its decision on the use of some enforcement powers. In addition, an officer removed under this section of the 2008 Act may appeal to the High Court.

The power to appoint a new officer

- 13 The regulator may exercise its power to appoint a new officer under section 269 to replace an officer removed under section 266.

Guidance Note 17

Guidance on section 269: appointment of new officers

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power on the appointment of a new officer. This is an enforcement power and is set out in Part 2 Chapter 7 section 269 of the 2008 Act.

Scope

- 2 The power may be exercised only in relation to an officer of a non-profit registered provider. It cannot be applied to a local authority provider or to a for-profit registered provider.
- 3 The word "officer" is defined in section 270 of the HRA 2008 in relation to the various constitutional arrangements of a registered provider. The word "mismanagement" in relation to the affairs of a registered provider is defined in section 275 of the HRA 2008 as managed in breach of any legal requirements (imposed by or under an Act or otherwise).
- 4 This power may be exercised in relation to an officer of a registered charity only if the charity has received public assistance, as defined in section 274 of the HRA 2008. In summary, this means that the registered charity must have received certain specified loans or grants from public sources or had property transferred to it by a local authority. The power to appoint an officer to a registered charity may be exercised only if the regulator has consulted the Charity Commission.

Background and context to the use of the power

- 5 The provider is responsible for ensuring that the organisation is properly governed and viable, and achieves the standards set by the regulator. In circumstances where there has been a failure against a standard or where a provider has been mismanaged, the regulator will assess the most appropriate course of action. The regulator will consider the willingness of members of the provider's governing body to contribute positively to a timely resolution of the failure against a standard or mismanagement and whether they have the capability, expertise and skills in sufficient depth to achieve a satisfactory outcome. If the regulator concludes that they do not, it may appoint officers to the governing body.
- 6 The appointment of officers is intended to give the provider a range of relevant additional skills and expertise to assist in resolving the failure against standards or mismanagement.

Potential triggers to the exercise of the power

- 7 Section 269 of the HRA 2008 includes three specific circumstances in which the regulator may exercise the power on the appointment of new officers. They are:
- 7.1. to replace an officer removed under section 266 of the HRA 2008, that is the removal of an officer in certain specified circumstances such as bankruptcy
 - 7.2. where there are no officers
 - 7.3. to ensure that the registered provider's affairs are managed in accordance with legal requirements (imposed by or under an Act or otherwise).
- 8 The regulator is most likely to exercise the power to appoint an officer where one or more of the following circumstances apply:
- the provider's affairs have been mismanaged in accordance with the definition in section 275 of the HRA 2008
 - there has been a failure against one or more economic standards
 - there has been a failure against one or more consumer standards where there has been serious detriment to tenants
 - it is necessary to replace an officer removed in accordance with the provisions of section 266 of the HRA 2008
 - where there are no officers.

This is not an exhaustive list and the regulator may conclude that it is necessary to consider exercising the power in other circumstances that meet the statutory grounds for appointments to those set out above.

- 9 When the regulator exercises its power to remove an officer under section 266, it will always consider whether it is necessary to replace the officer who has been removed. It will make its decision in the light of the circumstances of the provider. In particular, it will assess whether the governing body has the capability, expertise and skills in sufficient depth to resolve any failure against standards or mismanagement.
- 10 It is most unusual for there to be no officers on the governing body of a provider, so the regulator expects to have to exercise its power to appoint a person as an officer in these circumstances on very rare occasions.

The power

The restrictions on the number of appointed officers

- 11 The regulator may appoint more than one officer to the governing body of a provider. The HRA 2008 specifies that in general the use of this power overrides any restriction on eligibility or numbers of officers imposed by the provider's constitution. However, this is balanced by a restriction that in most circumstances the number of appointed officers must be a minority of officers of the provider. The regulator may appoint more than a minority of the officers of a provider only if:
- the provider has fewer officers than required by its constitution
 - the provider's constitution does not specify a minimum number of officers.
- 12 The regulator will decide how many appointments to make based on the need for additional capability, expertise and skills sufficient to resolve the failure against standards or mis-management and the constitution of the provider. The regulator will review the number of appointed officers from time to time and may adjust the number where it is proportionate to do so.

The period and the terms of an appointment

- 13 The HRA 2008 requires the Order appointing an officer to specify the period for which, and the terms on which, office is to be held. The regulator will usually appoint officers for an initial period of six months. The regulator will review the need for the appointments and may extend the period of office or may withdraw the appointed officers at any time, depending on the circumstances of the case. An appointed officer can resign at any time within the rules of the provider. In these circumstances, the regulator will decide whether to replace an appointed officer who has resigned. The terms on which an appointed officer holds office will be set out in the Order making the appointment.

The rights, powers and obligations of an appointed officer

- 14 The HRA 2008 specifies that an appointed officer has the same rights, powers and obligations as any other officer of the provider's governing body.

Direction to the Homes and Communities Agency

- 15 Under section 100G of the Housing and Regeneration Act 2008, one of the circumstances in which the regulator may direct Homes England not to give financial assistance to a specified PRP (either under section 19 or in connection with social housing) is where the regulator has appointed an officer of the PRP under section 269 (and the person appointed has not vacated office). The regulator will review its approach on a regular basis until the person appointed has vacated office, at which point the direction to Homes England will be withdrawn. Further advice and guidance about the regulator's approach to the use of this power to make directions is set out in the relevant guidance note.

Direction to the Greater London Authority

- 16 Under the Greater London Authority Act 1999 section 333ZG, in circumstances where the regulator has appointed an officer to the governing body of a PRP, it may give a Direction to the GLA which prohibits the GLA from giving financial assistance to the PRP. In circumstances where it has appointed an officer, the regulator will also consider whether to issue such a Direction to the GLA. The regulator will review its approach on a regular basis until the person appointed has vacated office, at which point the Direction to the GLA will be withdrawn. Further advice and guidance about the regulator's approach to the use of this power to make directions is set out in the relevant guidance note.

Who can be an appointed officer?

- 17 While the HRA 2008 places no restrictions on who can be an appointed officer, the regulator will always aim to match the best and most suitable people to the provider and to the particular circumstances of each case. The regulator will appoint people with relevant knowledge, skills and expertise.

Notification and initial contact

- 18 The regulator will notify the PRP about the appointments by a letter addressed to the chair or company secretary or other suitable person. The regulator will serve an Order on the provider for each appointed officer and the orders will be copied to the appointed officers. The regulator will issue a news release to announce the appointed officers. The PRP will usually be given an opportunity to comment on the factual accuracy of any such news release.

- 19 The regulator will provide the appointed officers with the relevant background and briefing material they will need to carry out their duties. As a minimum, such background material is likely to include:

- the PRP's constitution
- the most recent audited accounts and auditor's management letter
- the most recent regulatory judgement
- the most recent in depth assessment or stability check reports
- key correspondence between the regulator and the provider
- the terms of any public statement that the regulator asks the provider to make
- a draft news release to announce the appointed officers.

- 20 The regulator will hold a meeting with the PRP, usually with its governing body and senior staff, in order to:
- introduce the appointed officer(s)
 - explain the reasons for making the appointment
 - explain the regulator's expectations of the provider
 - explain the implications of the provider's regulatory status and the actions that the regulator expects the provider to take to overcome the failure against the standards or mismanagement
 - agree lines of communication between the regulator and the provider.

Expectations

What appointed officers can expect from the regulator

- 21 The regulator will agree appropriate liaison arrangements and lines of communication with appointed officers including nominating a member of the regulator's staff as the main point of contact for all aspects of the appointments.

What the regulator expects from appointed officers

- 22 The regulator expects an appointed officer to:
- work in the best interests of the PRP
 - act in the knowledge that they have the same rights, powers and obligations as any other officer of the provider's governing body, and to exercise their judgement accordingly
 - work within the constitution, code of conduct, standing orders, policies and procedures of the provider or, where these are not properly documented, to exercise their judgement to comply with generally accepted good practice
 - to act within the PRP rules on confidentiality but also to act in a manner consistent with the Regulatory Standards
 - refer any media enquiries to the PRP and to act within the PRP's communications strategy.

What the regulator expects from the PRP

23 The regulator expects the officers and staff of the PRP to:

- co-operate fully with the regulator
- co-operate with an appointed officer
- facilitate the full involvement of an appointed officer in the affairs of the PRP
- provide copies of all documents, codes of conduct, standing orders, policies and procedures relevant to their membership of the governing body to an appointed officer
- send copies of all notices, agendas and papers for meetings to an appointed officer
- consult an appointed officer about the dates and times of meetings that they will be required to attend
- inform any other relevant authority, for example Companies House in the case of a registered company, that an appointed officer has joined the governing body as it is required to do when any new member joins the governing body
- provide details of the liability insurance cover it provides for all members of its governing body to an appointed officer, and to inform the insurers that an appointed officer has joined the governing body if it is required to do so under the terms of the insurance
- admit the appointed officer to membership and issue a share certificate where the PRP has a shareholding membership
- reimburse an appointed officer for all reasonable expenses they incur in accordance with the established policy and practice for all members of the governing body
- offer to pay appointed officers where the PRP pays members of its governing body – it will be for each appointed officer to decide whether or not to accept the offer.

Guidance Note 18

Guidance on sections 247, 248 & 250A: management tender

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power to require a provider to tender its management functions. This is an enforcement power and is set out in Part 2 Chapter 7 sections 247, 248 and 250A of the 2008 Act.

Scope

- 2 The power may be exercised in relation to all providers including a non-profit registered provider, a for-profit registered provider and a local authority provider.

Background and context to the use of the power

- 3 A provider is responsible for ensuring that it achieves the standards set by the regulator. This requires the control and management of risk across all parts of the provider's operations and good service delivery to its tenants. Management services might be delivered by the provider directly, or by an agent or a contractor working under an agreement or a contract, including services delivered for a local authority by an ALMO or a TMO. The provider is responsible for managing itself, its employees, its agents and its contractors effectively.
- 4 The regulator expects a provider to be proactive in responding to any organisational or service delivery problem before it reaches a critical stage. The provider has primary responsibility to review the performance of its employees, agents and contractors and, where underperformance or some other problem is identified, to take the action it considers necessary to improve performance or resolve the problem. This could include action against an agent or contractor under the terms of the relevant agreement or contract, or, if the provider considers it appropriate to do so, the termination of that agreement or contract. In circumstances where a provider does decide to instigate changes to its management arrangements, the regulator will expect it to take effective action to maintain continuity of services and ensure that new arrangements are put in place in a timely manner.
- 5 In circumstances where there has been a failure against a standard applicable to it, or where the affairs of a provider have been mismanaged in relation to its social housing, the regulator may consider exercising those enforcement powers that relate to the management of a provider. Those powers are to:
 - require a management tender (which is covered in this guidance note) where the regulator will specify the process for selection, but the provider will select the new manager; or

- require a management transfer (which is covered in a separate guidance note) where, in certain circumstances following a statutory inquiry, the regulator, with the consent of the SoS, will select the new manager.

The power of management tender

6 The power of management tender is set out in sections 247, 248 and 250A of the HRA 2008. The regulator may require a provider to put out to tender some or all of its management functions in relation to some or all of its social housing. The regulator may exercise the power of management tender if it is satisfied that:

- a registered provider has failed to meet a standard applicable to it
- the affairs of a registered provider have been mismanaged in relation to social housing – “mismanagement” in relation to the affairs of a registered provider is defined in section 275 of the HRA 2008 as managed in breach of any legal requirements (imposed by or under an Act or otherwise)
- the registered provider has failed to comply with relevant provisions of the Welfare Reform and Work Act 2016 or with regulations made by the SoS under the WRWA.

7 In such circumstances, the regulator may issue a requirement to a provider. A requirement is a Direction which sets out certain actions that the provider must take in order to tender out the specified management functions. In particular, the requirement will specify a process that the provider must implement to invite applications to undertake the relevant management functions and to select and appoint a new manager.

Potential triggers to the power of management tender

8 The three specific circumstances in which the regulator may exercise its discretion to use the power to tender management functions are set out in paragraph 6 of this guidance. The regulator is most likely to exercise the power where there has been a failure against a standard or the affairs of the provider have been mismanaged and one or more of the circumstances below apply. This is not an exhaustive list and the regulator may conclude that it is necessary to consider exercising the power in other circumstances to those set out below

- there has been persistent poor performance in some or all of a provider's social housing management functions
- there has been persistent poor performance in the delivery of services where there has been serious detriment to tenants
- the provider is unable or unwilling to bring about necessary improvements through its own voluntary action

- the provider has failed to honour a relevant voluntary undertaking to the satisfaction of the regulator.

9 When exercising the power of management tender, the regulator's main objectives will be to improve the management of social housing and to secure compliance with the standards. The regulator's approach will depend on the circumstances of the case, and on its assessment of the provider's willingness to contribute positively to a timely resolution of the presenting problems and capacity to achieve any necessary improvements or changes in the relevant management functions. The regulator is only likely to exercise the power of management tender when there are no appropriate and reasonable alternatives, or when it considers that the provider is unable to take action to resolve management failures through voluntary means.

Additional provisions for local authority providers

10 Section 250A of the HRA 2008 sets out some additional statutory provisions which apply where the regulator exercises the power of management tender in relation to a local authority provider. These are that:

- the regulator can exercise the power of management tender even if the local authority already has a management agreement covering the same management functions in place
- the local authority may not give effect to a new or separate management agreement relating to those management functions of the authority that are the subject of the regulator's requirement in the period that the requirement is in force
- any duty the local authority may have to consult on changes to the exercise of any relevant management functions does not apply in circumstances where the authority is acting in respect of a requirement imposed by the regulator
- a requirement imposed by the regulator is not a management agreement within the definition set out in section 27 of the Housing Act 1985, but the local authority remains responsible for anything done or not done by or to the new manager as if the requirement was a management agreement, except where the terms of any relevant management agreement provide otherwise or in relation to criminal proceedings against the new manager.

11 In addition, the provisions of The Housing Management Agreements (Break Clause) (England) Regulations 2010 (the Regulations) imposed an obligation on all local authority providers to include a break clause in any management agreement entered into after 1 April 2010. This is intended to ensure that local authority providers have a suitable break clause that allows the management agreement to be terminated and the management functions tendered in circumstances where a requirement to tender management functions is imposed by the regulator.

- 12 The position may not be clear in relation to any management agreements that were in place before 1 April 2010. Although many will include a clause providing for termination where there is serious underperformance, it is possible that some will not. It would not be tenable to defer a requirement to tender management functions until an existing management agreement had expired or had reached a previously agreed review point. In such circumstances, it would be for the provider to take any steps it considers necessary to comply with the requirement put in place by the regulator.

Additional expectations for private registered providers

- 13 The additional statutory provisions outlined in paragraphs 10 to 12 do not apply to either a non-profit or a for-profit PRPs. In general, the regulator expects such providers to ensure that any agreements or contracts with third parties for management services are specified to ensure compliance with relevant regulator standards. In addition, providers are expected to make provision for regular and periodic monitoring against agreed standards of performance and include provision for penalties or termination where agreed standards of performance are not achieved. In circumstances where the regulator imposes a requirement to tender management functions, the regulator expects the provider to review its options in relation to its existing arrangements for the delivery of the relevant management functions, to take any steps it considers necessary to comply with the requirement and to ensure that the new manager can perform its duties regardless of any agreement or contract previously in place.

Best practice in procurement

- 14 The HRA 2008 requires the regulator to ensure that best procurement practice consistent with any applicable procurement law is embedded into the tender process. The regulator will set out its initial proposals for achieving these outcomes at an early stage in the process, and will invite the provider to make its own proposals on how its existing procurement policies and procedures might contribute to such outcomes. It is in the best interests of both the provider and the regulator to identify the most efficient and effective tender process, and the regulator would expect the provider to co-operate with it in order to do so. The process to select the new manager will be carried out by the provider, so the provider will carry any risk associated with compliance with any relevant statutory procurement requirements.

The potential for increased costs

- 15 It is possible that the management tender process may result in efficiencies or savings that might benefit the provider and its tenants. However, such efficiencies or savings are not specific objectives of the process and the provider should not assume that they will result from it. Neither should the provider assume that the tender process and new management arrangements will be cost neutral. The regulator will expect the provider to draw up financial projections and budgets based on the requirement and to make reasonable assumptions about any possible additional or increased costs. The nature and extent of these will depend on the particular circumstances of the case and on the provider's existing arrangements for the delivery of services in those management functions that are the subject of the requirement.

Factors that may result in additional or increased costs could include:

- the costs associated with the administration of the tender process
- the costs of any expert or legal advice the provider considers it necessary to commission in relation to the tender process
- the costs associated with resolving any outstanding matters in relation to the previous standards of performance in the relevant management function
- the costs associated with addressing previous under-investment or underperformance in the management function by the provider
- an improved or extended specification for the future delivery of the management function to balance any previous under-investment or poor performance
- a new liability for Value Added Tax (VAT) in circumstances where a non-profit or a for-profit PRP that previously used its own staff to deliver the management function (where there would be no liability for VAT) subsequently purchases that management function from a third party (where there would be a liability for VAT).

- 16 Any additional or increased costs must ultimately be borne by the provider. In considering whether or not to impose a requirement for a management tender, the regulator will take account of any representations made by the provider in respect of the potential adverse impact on its management costs and its overall business. The regulator may work with the provider in order to explore how best to manage and mitigate these, but it will remain the provider's responsibility to decide on and take any action it considers necessary in order to do so.

Process

Notice

- 17 If the regulator is minded to exercise this power, it must give the provider notice and seek representations in accordance with the provisions set out in section 248 of the HRA 2008. The notice must:
- set out the grounds on which the regulator might take action
 - warn the provider that the regulator is considering action
 - explain the effect of section 248 of the HRA 2008
 - specify a period of at least 28 days beginning on the day the provider receives the notice in which the provider may make representations to the regulator

- refer the provider to the provisions of section 125 of the HRA 2008, by which the provider may give a voluntary undertaking to the regulator. The regulator must indicate whether, and to what extent, it would accept a voluntary undertaking instead of, or in mitigation of, any action to require the provider to tender management functions.

18 The HRA 2008 specifies that the regulator must send a copy of the notice to:

- the GLA in a case where the requirement would be imposed on a provider owning land in Greater London
- the SoS, in a case where the requirement would be imposed on a local authority provider
- any other persons or organisations the regulator thinks appropriate depending on the circumstances of the case.

The possible use of other enforcement powers

19 The HRA 2008 specifies that the regulator may combine this notice with one or more notices relating to the possible use of certain other enforcement powers. In particular, the HRA 2008 makes reference to:

- a pre-penalty warning (section 230 of the HRA 2008)
- a pre-compensation warning (section 242 of the HRA 2008)
- a management transfer (section 250 of the HRA 2008)
- an appointment of a manager (section 252 of the HRA 2008).

20 In circumstances where the regulator decides to issue more than one notice it will do so in accordance with the terms of each relevant section of the HRA 2008 and of each relevant guidance note on the use of the specific power. It follows that the regulator will only do so where the circumstances of the case make it appropriate and where the specific power is applicable to the particular type of provider. In addition, the regulator may also consider whether it would be appropriate to exercise any of its other enforcement powers either singly or in combination.

Seeking views on a requirement

21 The HRA 2008 specifies that in imposing a requirement to tender management functions, the regulator must have regard to views of:

- relevant tenants – the regulator recognises that in any situation where some or all of the provider's management functions might be subject to tender, tenants may have concerns about the potential impact on the services they receive. The regulator will ensure, as far as it is reasonably practicable to do so, that tenants are informed about the proposed changes and the potential implications for both them and the provider. The nature of the information given to tenants will depend on the circumstances of the case and the timescales involved. It may not be practicable in all situations to make direct contact with each individual tenant, and, in seeking tenants' views, the regulator may work through the provider or any recognised tenant representative groups or an appointed tenant adviser.
- the registered provider – the regulator recognises that in any situation where some or all of the provider's management functions might be subject to tender, those involved in the delivery of the functions, including employees, agents and contractors may have concerns about how the proposals might impact on the provider, on their organisations or on them as individuals. The regulator will seek the views of the provider. The regulator will expect the provider to keep its employees, agents and contractors fully informed about how the requirement to tender management functions might impact on them throughout the process. Since the regulator is not required to have regard to the views of the provider's employees, agents or contractors, it will not seek their views and, if any such views are offered, it will not take them into account in reaching its decision.
- the GLA where the requirement relates to a provider owning land in Greater London.
- the SoS, in a case where the requirement is to be imposed on a local authority provider.
- any relevant local authority in circumstances where the regulator thinks it appropriate to do so. The regulator will seek the views of the local authority in its strategic housing role in the area in which the registered provider that is subject to the requirement operates. However, the regulator will not usually seek the views of a local authority in its strategic role if it is considering the use of this power against the same local authority in its landlord role. In such circumstances, the regulator will usually only seek the views of the local authority in its role as the registered provider.

- 22 The regulator will seek views on the proposed requirement from relevant people and organisations at the most appropriate point in the process. This could be at the same time as the regulator sends notice to the provider or at a later date. The regulator's over-riding objective will be to provide all the information relevant to the particular circumstances of the case, so that respondents are as fully informed as possible when giving their views.

Considering views, representations and voluntary undertakings

- 23 Before making its decision on whether or not to impose a requirement, the regulator will consider all the views submitted to it by those individuals and organisations listed in paragraph 21. While the regulator must have regard to these views, it will not necessarily be bound by them. In particular, it may not be possible to reconcile all the various views in circumstances where some of them suggest a fundamentally different approach to others. The regulator's approach will depend on the nature of the various views submitted to it, on the specific circumstances of each case and on whether the regulator is satisfied that any necessary improvements or changes to relevant management functions will be achieved in a timely manner.
- 24 The regulator will also consider any representations and any proposals for voluntary undertakings submitted by the provider in response to the notice in accordance with its general approach to such undertakings set out in the first section of this document. The acceptability, or otherwise, of any such undertaking will depend on the circumstances of the case. The regulator will consider the provider's capacity to honour the undertaking and whether the terms of the undertaking are sufficient to bring about the necessary improvements to relevant management functions in a timely manner.
- 25 Where the regulator is satisfied with the proposed terms of the voluntary undertaking, it may decide not to impose the requirement with immediate effect, but to allow the provider a period of time to implement its proposals. In such circumstances, the regulator will monitor and review the provider's progress on a regular basis and at key milestones in order to assess whether or not the provider has honoured the undertaking. The regulator will give reasons for any decisions it makes in relation to such monitoring or review. In circumstances where the regulator subsequently concludes that a provider has failed to honour the undertaking or has failed to deliver any obligations at key milestones, it may decide to impose the requirement to tender management functions without delay.
- 26 Alternatively, where the regulator is not satisfied with the proposed terms of the voluntary undertaking, it may decide to impose the requirement without delay. The regulator is likely to take such action where it considers that the terms of the undertaking are unsatisfactory or insufficient to resolve the problems or where urgent or immediate action is necessary.

The requirement

- 27 In circumstances where the regulator decides to impose a requirement, the regulator will specify a process that the provider must implement to:
- invite applications to undertake the relevant management functions
 - select from the applications
 - appoint a new manager.
- 28 The requirement will set out the extent of the services that the provider must put out to tender. The terms of an individual requirement will vary from case to case and will be dependent on a combination of factors, including in particular the nature and the extent of both the management functions and the housing stock to which the requirement applies. A requirement may include some or all of the provider's management functions and some or all of its social housing stock. It could be limited to specific services or to specific parts of the social housing stock, for example, to tackle management problems on a single estate.
- 29 The requirement must also include provision:
- about the persons that will make up the panel with responsibility for selecting the new manager, including specific provision for ensuring that tenants' interests will be represented on the panel
 - for ensuring that the procurement process follows best practice and is consistent with any applicable procurement law
 - about the terms and conditions on which the new manager is to be appointed including specific provision for setting, monitoring and enforcing standards of performance and for the resources that are to be made available or applied to the management function that is the subject of the requirement.
- 30 The regulator will notify the provider about a requirement by a letter addressed to the Chief Executive or other suitable person. The regulator will set out proposals for how it intends to liaise with the provider, monitor progress against the requirement and ensure that the specified process is followed. The regulator will expect the provider to effectively manage the transition from its existing manager to the new manager and to implement the change in a timely manner.
- 31 The regulator will publicise the action that it takes in accordance with its policy on public statements.

Notification of a requirement

32 The regulator will inform those individuals and organisations that provided views on the proposed requirement about the regulator's final decisions on the matter. The HRA 2008 specifies that in circumstances where the regulator imposes a requirement to tender management functions, it must send a copy of it to:

- Homes England;
- the GLA in a case where the requirement is to be imposed on a provider owning land in Greater London; and
- the SoS, in a case where the requirement is to be imposed on a local authority provider.

Appeal

33 The provider may appeal to the High Court against a requirement to tender management functions.

Complying with a requirement

34 The regulator will expect the provider to keep it informed about progress and to demonstrate compliance with the terms of the requirement at certain specified points in the process. These milestones will have been set out in the requirement, and are most likely to occur when the short-list of applicant managers is agreed, when the new manager is selected and when the new manager is appointed. The regulator will review the information submitted by the provider to demonstrate compliance and will wish to satisfy itself that the provider is taking the appropriate action in all the circumstances of the case. Where the provider does not do so, the regulator will review its options and may consider exercising any of its regulatory, enforcement or general powers or taking other action against the provider.

Expectations

What the provider can expect from the regulator

35 The regulator will:

- agree appropriate liaison and reporting arrangements including nominating a member of regulator staff as the main point of contact for all aspects of the enforcement and management tender processes
- give notice of possible enforcement action, seek the views of the provider and consider any representations or any voluntary undertaking offered by the provider
- in circumstances where a requirement is imposed, review progress at agreed points in the process.

What the regulator expects from the provider

36 The regulator expects the provider to:

- co-operate with the regulator at all stages of the management tender process
- take any steps it considers necessary to comply with the terms of any requirement that is imposed by the regulator
- take any steps it considers necessary to ensure that the new manager can perform its duties
- ensure an effective transition between managers and maintain continuity of service during the process
- draw up financial projections and budgets based on the requirement and to make reasonable provision for any possible additional or increased costs
- commission and pay for any expert advice or legal advice it considers necessary in relation to either the tender or associated processes, including any specific matters of concern to the provider or its staff: such matters will depend on the specific circumstances of the case but may include, among other things, any obligations it may have in relation to pensions, taxation, the Transfer of Undertakings (Protection of Employment) Regulations 2006" as amended by the "Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014, the Public Contracts Regulations 2015 or the European Union Public Procurement Directive 2014/24/EU
- comply with best procurement practice and any applicable procurement law
- keep its employees, agents and contractors informed about how the requirement might impact on them and ensure that they co-operate with the regulator in relation to the requirement
- provide information and documents in relation to the requirement when requested, keep the regulator informed about progress generally and demonstrate compliance with the terms of the requirement at certain specified points in the process or when requested by the regulator
- co-ordinate its communications strategy on all matters relating to a requirement to tender management functions and to give the regulator the opportunity to comment on the content and timing of any news releases or other public statements.

Guidance Note 19

Guidance on sections 249, 250 & 250A

Management transfer

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power to require a provider to transfer management functions. This is an enforcement power and is set out in Chapter 7 and sections 249, 250 and 250A of the 2008 Act.

Scope

- 2 This power may be exercised in relation to all providers including a non-profit registered provider, a for-profit registered provider and a local authority provider.

Background and context to the use of the power

- 3 A provider is responsible for ensuring that it achieves the standards set by the regulator. This requires the control and management of risk across all parts of the provider's operations and good service delivery to its tenants. Management services might be delivered by the provider directly, or by an agent or a contractor working under an agreement or a contract, including services delivered for a local authority by an ALMO or a TMO. The provider is responsible for managing itself, its employees, its agents and its contractors effectively.
- 4 Where the regulator suspects that the affairs of a provider may have been mismanaged, it may hold an inquiry in accordance with sections 206 to 209 of the Act. As part of an inquiry, the regulator may require the provider's accounts and balance sheet to be audited in accordance with section 210 of the Act. Further advice about the regulator's approach to the exercise of the powers on inquiry and extraordinary audit is set out in the relevant guidance note. The regulator will consider an interim or a final report of an inquiry into the affairs of a provider in accordance with the principles set out in the guidance on the use of the power to hold an inquiry. The power to require a provider to transfer management functions is one of the enforcement powers available to the regulator in certain circumstances as a result of an inquiry.

The power of management transfer

5 The power of management transfer is set out in sections 249, 250 and 250A of the Act. The regulator may require a provider to transfer some or all of its management functions in relation to some or all of its social housing if, as a result of an inquiry under section 206 or an audit under section 210, the regulator is satisfied that:

- the affairs of the provider have been mismanaged in relation to social housing, or
- a transfer of certain of a provider's management functions would be likely to improve the management of some or all of its social housing.

Potential triggers to the power of management transfer

6 If the regulator is satisfied that one or both of the circumstances specified in paragraph 5 apply, it will also consider whether it might be necessary to exercise any of the enforcement powers in the Act, including the power to require a provider to transfer management functions. The regulator is most likely to conclude that such a transfer is required in circumstances where it is satisfied that the findings of the inquiry demonstrate that one or more of the following circumstances apply:

- there has been persistent mismanagement in some or all of the provider's management functions
- there has been mismanagement in the delivery of services where there are reasonable grounds to suspect there has been or there is a risk of a serious detriment to tenants
- there has been mismanagement and there are reasonable grounds to suspect there has been or there is a risk of serious detriment to the security or interests of some or all of the provider's tenants
- it is necessary to improve the management of some or all of the provider's social housing
- the provider has failed to comply with any previous Order or Direction made by the regulator, including a requirement for a management tender, or to deal with previous regulatory interventions to the satisfaction of the regulator
- the provider has failed to honour a relevant voluntary undertaking to the satisfaction of the regulator.

These are illustrative examples, not an exhaustive list. The regulator may conclude that it is necessary to consider exercising the power where the findings of the inquiry demonstrate other circumstances to those set out above.

- 7 When exercising the power of management transfer, the regulator's main objectives will be to improve the management of social housing and to secure better services for tenants. The power gives the regulator an option to address poor performance without having to transfer ownership of the provider's assets. The regulator can require the provider to transfer management functions to an alternative manager selected by the regulator. The regulator's approach will depend on the circumstances of the case, and on its assessment of the provider's willingness to contribute positively to a timely resolution of the presenting problems and capacity to achieve any necessary improvements or changes in the relevant management functions. The regulator is only likely to exercise the power of management transfer when there are no appropriate and reasonable alternatives, or when it considers that the provider is unable to take action to resolve management failures through voluntary means.

Additional provisions for local authority providers

- 8 Section 250A of the 2008 Act sets out some additional statutory provisions which apply where the regulator exercises the power of management transfer in relation to a local authority provider. These are that:
- the regulator can exercise the power of management transfer even if the local authority already has a management agreement covering the same management functions in place
 - the local authority may not give effect to a new or separate management agreement relating to those management functions of the authority that are the subject of the regulator's requirement in the period that the requirement is in force
 - any duty the local authority may have to consult on changes to the exercise of any relevant management functions does not apply in circumstances where the authority is acting in respect of a requirement imposed by the regulator
 - a requirement imposed by the regulator is not a management agreement within the definition set out in section 27 of the Housing Act 1985, but the local authority remains responsible for anything done or not done by or to the new manager as if the requirement was a management agreement except where the terms of any relevant management agreement provide otherwise or in relation to criminal proceedings against the new manager.
- 9 In addition, the provisions of The Housing Management Agreements (Break Clause) (England) Regulations 2010 (the Regulations) imposed an obligation on all local authority providers to include a break clause in any management agreement entered into after 1 April 2010. This is intended to ensure that local authority providers have a suitable break clause that allows the management agreement to be terminated and the management functions transferred in circumstances where a requirement to transfer management functions is imposed by the regulator.

- 10 The position may not be clear in relation to any management agreements that were in place before 1 April 2010. Although many will include a clause providing for termination where there is serious underperformance, it is possible that some will not. It would not be tenable to defer a requirement to transfer management functions until an existing management agreement had expired or had reached a previously agreed review point. In such circumstances, it would be for the provider to take any steps it considers necessary to comply with the requirement put in place by the regulator.

Additional expectations for private providers

- 11 The additional statutory provisions outlined in paragraphs 8 to 10 do not apply to either a non-profit or a for-profit private provider. In general, the regulator expects such providers to ensure that any agreements or contracts with third parties for management services are specified to ensure compliance with relevant regulator standards. In addition, providers are expected to make provision for regular and periodic monitoring against agreed standards of performance and include provision for penalties or termination where agreed standards of performance are not achieved. In circumstances where the regulator imposes a requirement to transfer management functions, the regulator expects the provider to review its options in relation to its existing arrangements for the delivery of the relevant management functions, to take any steps it considers necessary to comply with the requirement and to ensure that the new manager can perform its duties regardless of any agreement or contract previously in place.

Best practice in procurement

- 12 The 2008 Act does not make specific provision for the regulator to apply best procurement practice to a management transfer. As a public authority, the regulator is bound by relevant procurement law and will ensure that best procurement practice consistent with any applicable procurement law is embedded into the process. The regulator will inform the provider about its initial proposals for achieving these outcomes at an early stage in the process. It is in the best interests of both the provider and the regulator to identify the most efficient and effective process, and the regulator would expect the provider to co-operate with it in order to do so. In particular, the regulator will require the provider to give information and documents showing the basis on which relevant management functions are delivered by the provider or by its agent, together with any associated or related documents which might inform the regulator's decision on how best to proceed. The process to select the new manager will be carried out by the regulator, so the regulator will carry any risk associated with compliance with any relevant statutory procurement requirements.

Process

Notice

- 13 If the regulator is minded to exercise this power, it must give the provider a notice and seek representations in accordance with the provisions set out in section 250 of the Act. The notice must:
- set out the grounds on which the regulator might take action
 - warn the provider that the regulator is considering action
 - explain the effect of section 250 of the Act
 - specify a period of at least 28 days beginning on the day the provider receives the notice in which the provider may make representations to the regulator
 - refer the provider to the provisions of section 125 of the Act, by which the provider may give a voluntary undertaking to the regulator. The regulator must indicate whether, and to what extent, it would accept a voluntary undertaking instead of, or in mitigation of, any action to require the provider to transfer management functions.
- 14 The 2008 Act specifies that the regulator must send a copy of the notice to:
- Homes England;
 - the GLA in a case where the requirement would be imposed on a provider owning land in Greater London;
 - the SoS, in a case where the requirement would be imposed on a local authority provider; and
 - any other persons or organisations the regulator thinks appropriate, including, in particular, any person or organisation that provided information that resulted in the notice being given. The regulator will consider which persons or organisations might be appropriate depending on the circumstances of the case.

The possible use of other enforcement powers

- 15 The 2008 Act specifies that the regulator may combine this notice with one or more notices relating to the possible use of certain other enforcement powers. In particular, the 2008 Act makes reference to:
- a pre-penalty warning (section 230 of the Act)
 - a pre-compensation warning (section 242 of the Act)
 - a management tender (section 248 of the Act), or
 - an appointment of a manager (section 252 of the Act).
- 16 In circumstances where the regulator decides to issue more than one notice, it will do so in accordance with the terms of each relevant section of the 2008 Act and of each relevant guidance note on the use of the specific power. It follows that the regulator will only do so where the circumstances of the case make it appropriate and where the specific power is applicable to the particular type of provider. In addition, the regulator may also consider whether it would be appropriate to exercise any of its other enforcement powers either singly or in combination.

Seeking views on a requirement

- 17 The 2008 Act specifies that in imposing a requirement to transfer management functions, the regulator must have regard to views of:
- relevant tenants – the regulator recognises that in any situation where some or all of the provider's management functions might be subject to transfer, tenants may have concerns about the potential impact on the services they receive. The regulator will ensure, as far as it is reasonably practicable to do so, that tenants are informed about the proposed changes, and about the potential implications of the changes for both them and the provider. The nature of the information given to tenants will depend on the circumstances of the case and the timescales involved. It may not be practicable in all situations to make direct contact with each individual tenant and, in seeking tenants' views, the regulator may work through the provider or any recognised tenant representative groups or an appointed tenant adviser.
 - the registered provider – the regulator recognises that in any situation where some or all of the provider's management functions might be subject to transfer, those involved in the delivery of the functions, including employees, agents and contractors may have concerns about how the proposals might impact on the provider, on their organisations or on them as individuals. The regulator will seek the views of the provider. The regulator will expect the provider to keep its employees, agents and contractors fully informed about how the requirement to transfer management functions might impact on them throughout the process. Since the regulator is not required to have regard to the views of the provider's employees, agents or contractors, it will not seek their views and, if any such views are offered, it will not take them into account in reaching its decision
 - Homes England;
 - the GLA where the requirement relates to a provider owning land in Greater London;

- the SoS in a case where the requirement is to be imposed on a local authority provider.
- And, any relevant local authority in circumstances where the regulator thinks it appropriate to do so. The regulator will seek the views of the local authority in its strategic housing role in the area in which the registered provider that is subject to the transfer operates. The regulator will not usually seek the views of a local authority in its strategic role if it is considering the use of this power against the same local authority in its landlord role. In such circumstances, the regulator will usually only seek the views of the local authority in its role as the registered provider.

18 In addition, and depending on the circumstances of the case, the regulator may also provide information to, and, possibly, seek views from others, including:

- other regulators such as the Financial Conduct Authority, the Charity Commission or the Registrar of Companies
- secured creditors particularly when a requirement is likely to have a material impact on some aspect of the provider's business.

19 The regulator will seek views on the proposed requirement from relevant people and organisations at the most appropriate point in the process. This could be at the same time as the regulator sends notice to the provider or at a later date. The regulator's overriding objective will be to provide all the information relevant to the particular circumstances of the case, so that respondents are as fully informed as possible when giving views on the requirement.

Considering views, representations and voluntary undertakings

20 Before making its decision on whether or not to impose a requirement, the regulator will consider all the material and views submitted to it in the light of the findings set out in the inquiry report. While the regulator must have regard to the views of those individuals and organisations listed in paragraph 17, it will not necessarily be bound by them. In particular, it may not be possible to reconcile all the various views in circumstances where some of them suggest a fundamentally different approach to others. The regulator's approach will depend on the nature of the various views submitted to it, on the specific circumstances of each case and on whether the regulator is satisfied that any necessary improvements or changes to relevant management functions will be achieved in a timely manner.

- 21 The regulator will also consider any representations and any proposals for voluntary undertakings submitted by the provider in response to the notice in the light of the findings set out in the inquiry report and in accordance with its general approach to such undertakings set out in *Regulating the Standards*⁵. The acceptability, or otherwise, of any such undertaking will depend on the circumstances of the case. The regulator will consider the provider's capacity to honour the undertaking and whether the terms of the undertaking are sufficient to bring about the necessary improvements to relevant management functions in a timely manner.
- 22 The regulator will expect the provider to demonstrate clearly that it has the capacity and the capability to achieve a timely resolution of all relevant problems identified in the findings of the inquiry report, including the commitment of any funds or other resources that are necessary. The provider must demonstrate to the satisfaction of the regulator that the proposals set out in any views, representations or voluntary undertakings will fully resolve any mismanagement and bring about any necessary improvements in the management of the social housing. The proposals must achieve outcomes for tenants or for the business which can be sustained in the long term and are at least as good and as timely as those anticipated by the terms of the proposed requirement for a management transfer.
- 23 Where the regulator is satisfied with the proposed terms of the voluntary undertaking, it may decide not to impose the requirement with immediate effect, but to allow the provider a period of time to implement its proposals. In such circumstances, the regulator will monitor and review the provider's progress on a regular basis and at key milestones in order to assess whether or not the provider has honoured the undertaking. The regulator will give reasons for any decisions it makes in relation to such monitoring or review. In circumstances where the regulator subsequently concludes that a provider has failed to honour the undertaking or has failed to deliver any obligations at key milestones, it may decide to impose the requirement to transfer management functions without delay.
- 24 Alternatively, where the regulator is not satisfied with the proposed terms of the voluntary undertaking, it may decide to impose the requirement without delay. The regulator is likely to take such action where it considers that the terms of the undertaking are unsatisfactory or insufficient to resolve the problems or where urgent or immediate action is necessary.

The transfer

- 25 The purpose of this power is to improve the management of some or all of the provider's social housing. The requirement to transfer management may relate to the provider's management functions generally or to specific management functions in relation to its social housing. It may relate to the provider's social housing stock generally or to specific social housing stock in a defined area. The circumstances of each case will determine whether the regulator requires a full or partial transfer of functions. For example, a partial transfer may be required where the underlying mismanagement is known to be confined to a specific function of the provider's management operations in relation to its social housing, or to a specific geographical area.

⁵ <https://www.gov.uk/government/publications/regulating-the-standards>

- 26 The regulator will select the new manager that will take the transfer of management functions. The 2008 Act makes provision for the transferee manager to be any person or organisation specified by the regulator. This could be another registered provider or an agent or a contractor with the capability and capacity to deliver efficient and effective management and sustain it throughout the period stipulated by the regulator in the requirement. In selecting the transferee manager, the regulator will have particular regard to the quality and management of that organisation's service delivery in relation to the specific functions to be transferred. In addition, the regulator will expect the transferee manager to demonstrate good governance, financial viability and the management and financial capacity to deliver these functions.

The terms of the transfer

- 27 The 2008 Act makes provision for the transfer to be on terms and conditions specified in, or determined in accordance with, any requirement imposed by the regulator. The actual terms and conditions will depend on the circumstances of the case. The regulator will specify the terms and conditions of the transfer and will set them out in any requirement imposed on the provider. Those terms and conditions must include provision for the remuneration of the transferee manager and specify the powers of the transferee manager. The 2008 Act also makes provision for the transferee manager to have any other power in relation to the provider's affairs required by the manager for the purposes specified in the requirement, including for example, the power to enter into agreements and to take other action on behalf of the provider.

The consent of the Secretary of State

- 28 The regulator can only exercise the power to require a provider to transfer management functions with the consent of the SoS to the transfer and to terms of the transfer. The regulator will keep MHCLG informed of progress on any cases where a requirement to transfer management functions might be imposed. The regulator will submit its formal application for the necessary consents following any decision by the regulator to impose the requirement. The application will include full information about the case and the process followed by the regulator in reaching its decision to impose the requirement.

The requirement and complying with it

- 29 The requirement will set out the extent of the services that the provider must transfer and the specific terms and conditions attached to the transfer. The regulator will notify the provider about the requirement by letter addressed to the Chief Executive or other suitable person. The letter will set out the regulator's proposals for its subsequent liaison with the provider to ensure compliance with the requirement. The regulator will expect the provider to effectively manage the transition from its existing manager to the transferee manager. The regulator will wish to satisfy itself that the provider is taking the appropriate action to comply with the requirement. Where the provider does not do so, the regulator will review its options and may consider exercising any of its regulatory, enforcement or general powers or taking other action against the provider.

Notification of a requirement

30 The regulator will publicise the action that it takes in accordance with its policy on public statements. The regulator will inform those individuals and organisations that provided views on the proposed requirement about the regulator's final decisions on the matter. The 2008 Act specifies that in circumstances where the regulator imposes a requirement to transfer management functions, it must send a copy of it to:

- Homes England;
- the GLA in a case where the requirement is to be imposed on a provider owning land in Greater London; and
- the SoS, in a case where the requirement is to be imposed on a local authority provider.

Appeal

31 The provider may appeal to the High Court against a requirement to transfer management functions.

Guidance Note 20

Guidance on section 252A

Appointment of an adviser to a local authority provider

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power to appoint an adviser to a local authority provider. This is an enforcement power and is set out in chapter seven and section 252A of the 2008 Act.

Scope

- 2 The power may be exercised only in relation to a local authority provider. It does not apply to a PRP.

Background and context to the use of the power

- 3 The authority is responsible for ensuring that it achieves the standards set by the regulator. This requires the control and management of risk across all parts of the authority's social housing operations and good service delivery to its tenants, both where management services are provided by the authority directly, or where such services are provided by an ALMO, a TMO or another manager under contract.
- 4 In circumstances where there has been a failure against a standard, or where the authority's affairs in relation to social housing have been mismanaged, the regulator will assess the most appropriate course of action. We will consider the authority's willingness to contribute positively to a timely resolution of the presenting problems and its capacity to achieve the necessary improvements. Where the regulator has been engaging with the LA to achieve those improvements, but the underperformance has continued, it may have to exercise the power to appoint an adviser or require the authority to appoint an adviser.
- 5 In exercising this power, the regulator's intention is to work with the authority to help improve its services. An adviser or advisers will give the authority specialist support and a range of relevant additional skills and expertise to assist in addressing the regulator's concerns. This is a supportive action designed to act as a catalyst for the changes necessary to address those concerns.

Potential triggers to the exercise of the power

6 The 2008 Act specifies the circumstances in which the regulator may exercise its discretion to use this power. They are set out in paragraph seven of this guidance. The regulator is most likely to exercise the power where it considers that one or more of the following circumstances apply:

- the authority's affairs in relation to its social housing have been mismanaged
- there has been a failure against one or more consumer standards where there are reasonable grounds to suspect there has been or there is a risk of a serious detriment to tenants
- the authority has failed to deal with previous regulatory interventions to the satisfaction of the regulator
- the authority has failed to honour a relevant voluntary undertaking to the satisfaction of the regulator
- the case raises matters of wider regulatory significance or concern.

This is not an exhaustive list and the regulator may conclude that it is necessary to exercise the power in other circumstances to those set out above.

The power

The circumstances in which the power can be exercised

7 Section 252A of the 2008 Act specifies that the regulator may exercise the power to appoint an adviser when it concludes that:

- it is necessary for the proper management of the authority's affairs in relation to its social housing, or
- it is desirable in the interests of securing better services for the authority's tenants.

8 In such circumstances the regulator may:

- appoint one or more advisers to assist the authority in relation to its social housing affairs, or a particular aspect of those affairs. (An appointment)
- require the authority to appoint one or more advisers to assist in relation to its social housing affairs, and specify a process which the authority is required to implement for selecting advisers. (A requirement).

- 9 The regulator will consider whether to direct an appointment or a requirement based on the particular circumstances of each case. In principle, the regulator would prefer to work with the authority through the requirement route and, if it is appropriate to do so, to draw on mechanisms for self-improvement that are available to the local authority sector. The regulator may require the authority to put an adviser in place at an early stage in its regulatory engagement in order to reinforce the authority's own proposals for self-improvement. In circumstances where the regulator directs a requirement, the regulator may propose certain individuals as advisers, but will also consider individuals proposed by the authority as potential advisers. The regulator will specify the process that the authority will be required to follow for selecting the adviser. The regulator may participate in the selection process. The final decision will be made by both the regulator and the authority together.
- 10 However, in circumstances where the regulator concludes that the authority is either unable or unwilling to work in partnership to identify and select a suitable adviser, or where an authority has not fulfilled its obligations under a requirement in a timely manner, the regulator may identify and appoint advisers itself. In such circumstances the final decision will be made by the regulator.
- 11 The Order specifies that the authority must co-operate with any advisers. The regulator will monitor this through the adviser, and if the authority fails to co-operate, the regulator may consider taking further action including, but not limited to, the possible use of other regulatory, enforcement or general powers.

The period and terms of an appointment or a requirement

- 12 The appointment or requirement will specify the adviser's terms and conditions, including any provision for remuneration. The appointment or requirement will usually be for an initial period of six months, although this may vary depending on the circumstances of the case. It will be reviewed on a regular basis and the regulator may extend the period or may withdraw the adviser at any time depending on the progress made at agreed milestones. An adviser can resign at any time. Where an adviser does so, the regulator will decide whether it is necessary to replace the adviser who has resigned, and whether any new adviser should be put in place through an appointment or a requirement.
- 13 The regulator will agree the most appropriate mechanisms by which the adviser will interact with the authority's management structure in consultation with the authority and the adviser. This will depend on factors such as the particular management arrangements within the authority and those aspects of the authority's social housing affairs that are the subject of the appointment or requirement. The regulator expects an adviser to work within the authority's relevant codes of conduct, standing orders, policies, procedures and budgets, and to give advice and exercise their judgement in the best interests of both the authority and its tenants. The adviser will focus on the matters specified in the appointment or requirement and assist the authority to achieve the proper management of its social housing affairs or to secure better services for tenants.

Who can be an adviser?

- 14 The 2008 Act places no restrictions on who can be an adviser. Individuals could be drawn from any source. The regulator will always try to match the most suitable people to the authority and to the particular circumstances of the case. Advisers will have relevant knowledge, skills and expertise. They will have the interpersonal and relationship management skills to operate effectively.
- 15 The regulator will establish good working relations with organisations that encourage self-improvement in the local authority sector. Such organisations can draw on local authority elected members, senior officers and expert advisers to assist in resolving problems. The regulator may consider using such individuals as an adviser to an authority. However the regulator may also consider others with relevant skills and experience from other sectors. The regulator's over-riding objective will be to identify the most appropriate people for the case.

Notification and initial contact

- 16 The regulator will notify the authority about a requirement or an appointment by a letter addressed to the Chief Executive or other suitable person. In respect of a requirement, the regulator will serve an Order which specifies the process that it requires the authority to implement for selecting the adviser and will then work with the authority to ensure that the specified process is followed. In respect of an appointment, the regulator will serve an Order on the authority for each adviser and the orders will be copied to the adviser. The regulator will issue a news release to announce a requirement or an appointment. The authority will be given an opportunity to comment on the factual accuracy of any such news release.
- 17 The 2008 Act specifies that the regulator must send a copy of the notice to:
- Homes England;
 - the GLA in a case where the requirement would be imposed on a provider owning land in Greater London; and
 - any other persons or organisations the regulator thinks appropriate, including, in particular, any person or organisation that provided information that resulted in the notice being given. The regulator will consider which persons or organisations might be appropriate depending on the circumstances of the case.
- 18 The regulator will hold a meeting with the advisers to brief them and to provide them with all the background material they will need to carry out their duties. As a minimum, such background material is likely to include:
- information about the authority and its operations
 - background to the regulator's concerns

- specific detailed information about any particular aspect of the authority's social housing affairs that is the subject of the appointment or requirement
- any relevant assessment or performance information
- the most recent financial statements in relation to social housing
- the terms of any public statement that the regulator requires the authority to make
- a draft news release to announce the advisers.

19 The regulator will hold a meeting with the authority in order to:

- introduce the advisers and explain their role
- explain the advisers' relationship with the regulator
- explain the advisers' relationship with the authority and with the ALMO, TMO or contractor, where relevant
- explain the regulator's expectations of the authority and of the ALMO, TMO or contractor where relevant
- explain the implications of the authority's regulatory status and the actions that the regulator expects the authority to take to overcome the failure or problem with the support of the adviser
- agree lines of communication between the regulator and the advisers and between the regulator and the authority.

Expectations

What an adviser can expect from the regulator

20 Throughout the period that an adviser is in place, the regulator will:

- agree appropriate liaison and reporting arrangements with advisers at the outset, including nominating a member of the regulator's staff as the main point of contact
- meet advisers from time to time in order to check progress and ensure that the underlying concerns are resolved to the satisfaction of the regulator.

What the regulator expects from an adviser

21 The regulator expects an adviser to:

- work in the best interests of the authority and its tenants
- work within the authority's relevant codes of conduct, standing orders, policies, procedures and budgets
- be circumspect about making any public comments about the authority or about their role as an adviser and to generally act within the authority's rules on confidentiality
- refer any news enquiries to the appropriate person in the authority and to generally act within the authority's communications strategy
- maintain contact with the regulator, to keep it informed of key developments and to provide it with feedback on progress.

What the regulator expects from the authority

22 The regulator expects members and staff of the authority to:

- co-operate with the regulator in relation to an appointment or a requirement
- co-operate with advisers in accordance with the requirements of the 2008 Act and, where relevant, to ensure that the board members and staff of any ALMO, TMO or other agent also co-operate with advisers
- facilitate the full involvement of an adviser in the social housing affairs of the authority or in the relevant aspect of those affairs
- provide the adviser with copies of all documents, operating procedures and standing orders relevant to their role as an adviser
- make copies of all notices, agendas and papers for meetings available to an adviser
- provide liability insurance cover to advisers that are subject to a requirement which is equal to such insurance cover it arranges for elected members or senior officers of the authority
- reimburse an appointed adviser for all reasonable expenses they incur in accordance with the established policy and practice for the authority
- pay remuneration to the adviser in accordance with the provisions of the appointment or requirement

Guidance on the regulator's approach to intervention, enforcement and use of powers

- co-ordinate its communications strategy on all matters relating to the advisers with the regulator, and to give the regulator the opportunity to comment on the content and timing of any news releases or other public statements.

Guidance Note 21

Guidance on sections 269A & 269B

Censure of a local authority employee or agent during or following an inquiry

Purpose

- 1 This document gives general advice and guidance on how the regulator may exercise the power to censure a local authority employee or agent during or following an inquiry. This is an enforcement power and is set out in chapter seven and section 269A of the 2008 Act.

Scope

- 2 The power may be exercised only in relation to an employee or agent of a local authority provider. It may not be exercised in relation to an elected member of a local authority. This power does not apply to PRPs.

Background and context to the use of the power

- 3 The authority is responsible for ensuring that it achieves the standards set by the regulator. This requires the control and management of risk across all parts of the authority's social housing operations and good service delivery to its tenants, both where management services are provided by the authority directly, or where such services are provided by an ALMO, a TMO or another manager under contract. The authority is responsible for managing itself, its employees and its agents effectively.
- 4 Where the regulator suspects that an authority's affairs in relation to its social housing may have been mismanaged, the regulator may hold an inquiry in accordance with sections 206 to 209 of the Act. As part of an inquiry, the regulator may require the authority's accounts and balance sheet relating to its social housing to be audited in accordance with section 210 of the Act. Further advice about the regulator's approach to the exercise of the powers on inquiry and extraordinary audit is set out in the relevant guidance note. In circumstances where an inquiry is in progress, the regulator will expect the authority to ensure that its employees and its agents co-operate fully with the inquiry and respond positively and in a timely manner to all reasonable requests from the inquirers. The power to censure a local authority employee or agent is one of the enforcement powers available to the regulator in certain circumstances when an inquiry is in progress.

Potential triggers to the exercise of the power

- 5 Section 269A of the 2008 Act sets out the circumstances in which the regulator may exercise the power to censure a local authority employee or agent. The regulator may give a censure notice to an authority where an inquiry under section 206 of the 2008 Act is in progress in respect of the authority and:
1. The regulator has reasonable grounds for believing that the affairs of the authority have been mismanaged and that the interests of the tenants of the authority, or its assets, require protection, or
 2. The regulator is satisfied as a result of an inquirer's interim report that the affairs of the authority have been mismanaged.

The power

Consideration of an inquiry report

- 6 The regulator will consider an interim or a final report of an inquiry into the affairs of a local authority provider in accordance with the principles set out in the guidance on the use of the power to hold an inquiry. In doing so, the regulator will consider all the relevant material and decide whether it demonstrates:
- that the affairs of the authority have been mismanaged
 - that there are grounds for believing that the interests of the tenants of the authority require protection
 - that there are grounds for believing that the authority's assets require protection.
- 7 In circumstances where the regulator concludes that one or more of the criteria in paragraph 6 apply, it will also consider whether any employee or agent of the authority has contributed to the mismanagement or the risk to tenants or assets. If the regulator is satisfied that an employee or agent of the authority has so contributed, it will also consider whether a censure notice is appropriate, balancing all the relevant factors associated with the case.

Censure notice

- 8 A censure notice is a mechanism by which the regulator might notify an authority where the regulator has concluded that an individual employee or a group of employees or, where relevant, an individual employee or group of employees of an ALMO or TMO or an agent of the authority has contributed to the failure or mismanagement. The notice would set out the regulator's reasons for reaching the conclusion. The notice would be addressed to the Chief Executive of the authority or other suitable person and also to the employee or agent concerned. While no more than one employee or agent can be named in a censure notice, the regulator may give several notices in respect of the same failure or mismanagement.

Response to the censure notice

- 9 The Order makes provision for section 269B of the 2008 Act which requires the authority to which the censure notice is given to respond to the regulator in writing within 28 days of receiving the notice. The response must:
- explain what action (if any) the authority has taken or proposes to take in relation to the employee or agent, or
 - explain why the authority does not think that the employee or agent has contributed to the failure or mismanagement or the risk to its tenants or assets, or
 - explain why the authority does not think that its affairs have been mismanaged.

Possible further action by the regulator

- 10 The regulator will consider whether the authority's response to the censure notice is satisfactory taking into account all the circumstances of the case. Where the regulator concludes that the response is not satisfactory, it may consider taking further action including, but not limited to, the possible use of other regulatory, enforcement or general powers. In circumstances where the regulator does decide to take further action, it would inform the relevant local authority and MHCLG its sponsoring government department, of its intention to do so. The regulator may also inform other relevant organisations where it is appropriate to do so.
- 11 The regulator is most likely to take further action where it has concluded that the interests of tenants of the authority, or its assets, require protection but the authority has neither taken the action necessary to achieve that protection, nor provided a satisfactory explanation for not doing so.

Further action by the authority

- 12 It is the local authority's responsibility to take action against its employees or agents following a censure notice, where it considers it to be appropriate to do so. The regulator has no locus in any such action, but it would expect the authority to keep it informed about progress and the final outcome of the action. The regulator will wish to satisfy itself that the action had been concluded appropriately in all the circumstances of the case. Should the authority fail to complete the actions it had proposed to take, the regulator may consider its options and may require the authority to take some further action.



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